

VILNIUS UNIVERSITY

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**EFFECTIVENESS OF PROTECTION FOR REPUTED MARKS
IN THE EUROPEAN UNION**

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1 Introduction

Although trade marks have become one of the most valuable assets of contemporary businesses and receive considerable attention in legislative and judicial forums, some aspects of trade mark law remain as confusing as a century ago.

Traditionally trade mark protection is based on the two core principles – territoriality and specialty. The former principle ensures that trade marks can only be protected in countries in which they are registered while the latter guarantees that trade mark proprietors can exercise their rights only against an identical or similar sign used for similar goods and services. Both principles establish the function of indication of origin and ensure protection against confusion (i.e. ensure that consumers can distinguish goods or services made by different manufactures). Although the two core trade mark law principles must guarantee the right balance between the trade mark rights and competition, contemporary trade conditions require that some usually extremely known and high-value marks, under certain circumstances, would be afforded the protection extending beyond these principles.

International agreements establish exceptions to these two principles by affording protection to well-known marks.

Within the EU, the protection beyond the principle of specialty and ensuring rights against non-similar goods and services is defined as the protection of reputed marks (in the English version), “renommée” (in French), “bekannte” (in German), “bekend” (in Dutch), “ženklaai, turintys reputaciją” (in Lithuanian), etc.¹

¹ EU provisions on reputed marks are established in Directive 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (the Directive) and Regulation 2015/2424 of the European Parliament and of the Council of 16 December 2015

Protection of reputed marks is provided for in the Directive and the Regulation and establishes that a trade mark can be protected even in cases when use of a later sign does not cause consumer confusion. In such cases the reputed mark can be protected if it has reputation and use of the later sign without due cause takes unfair advantage

amending Council Regulation (EC) No 207/2009 on the European Union trade mark and Commission Regulation (EC) No 2868/95 implementing Council Regulation (EC) No 40/94 on the European Union trade mark, and repealing Commission Regulation (EC) No 2869/95 on the fees payable to the Office for Harmonization in the Internal Market (the Regulation).

The Directive and the Regulation were adopted on 16 December 2015 and substituted First Council Directive 89/104/EEC of 21 December 1988 and Council Regulation (EC) No 207/2009.

As a result of the legislative reform, relevant provisions of the First Council Directive 89/104/EEC on the reputed marks – Articles 4 (4) (a) and 5 (2) – have been amended and became respectively Article 5 (3) (a) and Article 10 (2) (c) of the new Directive. Similarly, Article 9 (1) (c) of the former Council Regulation (EC) No 207/2009 on the European Union trade mark became Article 9 (2) (c) of the new Regulation.

The Directive and the Regulation also changed the name of the Office of Harmonization in the Internal Market (the Office) into the European Union Intellectual Property Office (the Office) and the term used for the community trade mark which became European Union trade mark.

Throughout the thesis the new terminology and numbering of provisions is used with the exception of quotes of doctrine and case law dated prior to the legislative changes. In such cases former numbering of provisions and former terminology are maintained.

As it can be seen, although in some EU languages the difference between the terms used for the protection of well-known marks and the protection against dilution and free riding is unclear or even non-existent, the English version and versions of languages which are based on the English translation of the Directive and the Regulation however make a clear distinction between the two notions (“well-known” and “reputed marks”). Linguistic differences are not purely the issue of terminology as the English term seems to possess a requirement of prestige and quality, which normally is not a legal requirement for the protection of well-known marks. For a wider discussion, please see, e.g. KUR, A. Well-known marks, highly renowned marks and marks having a (high) reputation: what's it all about? *International Review of Industrial Property*. 1992, No (23), pg. 218-231.

of, or is detrimental to, the distinctive character or the repute of the trade mark (i.e. protection against free riding and against dilution).

Protection of reputed marks is an independent trade mark right which reflects the principles of Article 16 (3) of the TRIPS Agreement however cannot be equalled to it.²

For the purpose of this research, the protection against dilution and against free riding will be referred to as the protection of reputed marks.³ However, it is important to remember that other linguistic versions of the relevant provisions of the Directive and the Regulation use notions which signify the knowledge of a mark within the public rather than repute. Different linguistic versions of the provisions are equally important to consider while applying the protection against dilution and free riding and clarifying the conditions for its application.

² On the international level, Article 6 bis of the Paris Convention provided the first step in the expanded trade mark protection by affording well-known marks protection in jurisdictions where those marks were not registered, thereby departing from the principle of territoriality. In 1994, adoption of the TRIPS Agreement expanded the protection of well-known marks further by departing from the principle of specialty and granting protection against dissimilar goods and services.

Within the EU, although the EU legal acts refer to well-known marks, conditions for the protection of well-known marks and the scope of their protection remain the competence of the Member States.

Separation of conditions for applying both provisions is not always easy to make and has been a subject of an academic debate. See, e.g. KLIMKEVIČIŪTĖ, D. Plačiai žinomų prekių ženklų teisinės apsaugos ribos: teisinio reguliavimo problemos. *Jurisprudencija*, 2009, No 1 (115), pg. 267-294.

³ It is noted that the protection of reputed trade marks in the EU encompasses the protection against dilution and the protection against taking unfair advantage. Throughout the thesis the term dilution is understood as excluding the infringement ground of taking unfair advantage of a distinctive character or repute of a mark. On the other hand, terms as “protection beyond the principle of specialty”, “non confusion infringement” are used to encompass both – protection against dilution and against taking unfair advantage.

The aim of this research is to analyse whether the provisions providing the protection against dilution and free riding within the EU allow for effective protection.

For the purpose of the present research, effectiveness is defined as a criterion composed of two elements. First, a list of clearly defined, unambiguous set of requirements which need to be present in order to apply for the protection. Second, established, predictable, uniform and comprehensible application of such requirements in practice. Only the presence of both of these elements can ensure that trademark proprietors are able to exercise their rights beyond the principle of specialty, in cases such rights need to be protected due to unavailability of traditional trade mark law defence against confusion.

This research does not analyse the effectiveness of protection for well-known marks. However, a discourse to the international and the EU legal provisions related to protection of well-known marks is introduced to establish historical reasons for departing from the traditional principles of territoriality and specialty on the international level.

It must be noted that the research analyses the effectiveness of overall framework of the protection for reputed marks. Therefore, the analysis covers the following aspects: a) relevant provisions of the Regulation and Directive on reputed trademarks, b) their interpretation by the European Union Intellectual Property Office (hereinafter – the Office), the Court of Justice of the European Union (hereinafter – CJEU) and the General Court (hereinafter – the GC), c) national provisions implementing the protection for reputed marks; an d) their applicability requirements established by competent authorities in the three compared jurisdictions.

In order to evaluate the effectiveness of the protection for reputed marks, the **following points of analysis (tasks)** are undertaken:

- 1) to analyse the rationale to grant trade marks protection beyond the principle of specialty and to discuss if rationale to grant wider protection to well-known marks was different from rationale which led to the establishment of the protection for reputed marks within the EU;
- 2) to research historical developments of the EU legislation which led to the adoption of the protection of reputed marks and to analyse if these developments can reveal the intended scope and purpose of the protection against dilution and taking unfair advantage;
- 3) to review the case law of the CJEU, GC and the Office and to determine the key elements which must be present for the protection of the reputed marks;
- 4) to research legal provisions and relevant case law within the UK, Germany and Lithuania and to evaluate which conditions must be present for the institutions in different EU Member States to confirm the protection of the reputed mark;
- 5) to discuss if, and if so to what extent, provisions of closely related legal fields, such as competition laws or rules on passing-off, have any influence on effectiveness of applying the provisions on reputed marks within the researched jurisdictions;
- 6) to evaluate whether the protection against dilution and against taking unfair advantage is applied uniformly and effectively by the EU institutions and by the competent authorities of the researched Member States; and
- 7) to propose possible suggestions for improving the effectiveness of protection against dilution and taking unfair advantage within the EU.

Previous research of the topic, originality of the present research and its potential practical applicability. It must be noted that the topic of trade mark protection beyond the principle of specialty has been the focus of analysis by legal scholars since the famous article of F. Schechter. International developments in the

field of protecting well-known and famous marks and issues related to divergent practices of various jurisdictions were probably most extensively analysed in the publication edited by F.W. Mostert *'Famous and Well-Known Marks - An International Analysis'*. Scholars like D. Klimkevičiūtė and J. Truskaitė has analysed the differences of well-known marks and reputed marks within the EU. On the other hand, researchers like C. Gielen and I.S. Fhima have investigated the protection against dilution and taking unfair advantage from both practical applicability and rationale point of view. However, the current research is new and novel for several reasons.

First, the research has been undertaken at the time when global business and electronic commerce require to ensure that trade marks can be protected in non-traditional sale environment. In times when most known brands can be manufactured in the most distant corners of the globe and can be sold online, ensuring the exclusivity of a trade mark is essential.

Second, this research has been undertaken as a result of the recent developments in the case law of the CJEU regarding this issue and the recent EU trade mark law reform. The recent case law of the CJEU in particular in the *Intel*, *L'Oreal/Bellure*, *Interflora* and *Wolf Jardin* cases revealed that the exact scope of the protection against detriment to distinctive character or repute and taking unfair advantage of distinctive character or repute remains controversial and lacks consistency within the entire EU trade mark law and policy framework. The increased number of new decisions also confirmed the importance of the issue to business and lack of clarity of the legal provisions from trade mark proprietors' point of view. The initiative of the European Commission to evaluate the overall functioning of trade mark law and subsequent legislative changes, provided for an excellent opportunity for the author to see whether the lack of clarity regarding the protection of reputed marks was perceived as an obstacle to an effective EU trade mark law system, from the point of view of the EU institutions.

Third, the research analyses the provisions on reputed marks in the EU from the practical applicability point of view. It aims at answering the question on how effective the protection of reputed marks is in several EU Member States. Furthermore, it analyses the importance of other potential right enforcement mechanisms in the Member States, such as unfair competition law, which can influence national practises on applying the protection of reputed marks.

Lastly, the research has been finalised after the EU trade mark law reform and looks at the impact of the legislative amendments to the future of the protection of reputed marks in the EU.

Structure of the research. The first chapter of this thesis analyses the historical reasons and rationale for the protection of trade marks beyond the traditional principles of territoriality and specialty. This part discusses possible justifications for such protection and analyses whether any of these justifications can be applied to the EU law on trade marks with reputation. The research reveals that all economic and legal theories justifying different forms of regulation allowing protection of trade marks beyond the traditional principles of territoriality and specialty are based on the same arguments all of which have their deficiencies. It is shown that EU legislative history does not provide any justification for particular choice of wording for provisions related to reputed marks.

The second chapter of the thesis discusses how the provisions on reputed trade marks, namely Article 5 (3) (a) and 10 (2) (c) of the Directive and the corresponding provisions of the Regulation are applied by the Office, the GC and interpreted by the CJEU.⁴ The research looks at each element of the provisions and analyses how they are applied in practice and under what circumstances. It is noted that this chapter of the research does not aim at discussing how the respective provisions of

⁴ The General Court previously was named the Court of First Instance (or the GC), while the Court of Justice of the European Union – European Court of Justice (or the ECJ).

the Regulation and the Directive are applied by national courts and deals exclusively with the practice of the Office, the GC and the CJEU. It is revealed that elements of the provisions on reputed marks which were interpreted by the CJEU in a very wide manner are in practice applied rather restrictively by imposing a strict requirement of establishment of reputation and a wide interpretation of relative consumer groups. Furthermore, this chapter shows that several criteria such as similarity of goods are the main factors in successfully concluding on possible infringement of the mark.

The third, fourth and fifth chapters of the thesis provide a comparative research of three jurisdictions – the United Kingdom, Germany and Lithuania. The first two jurisdictions were chosen due to a very different approach to trade mark law and regulation of trade marks in the pre-harmonisation period. Lithuania on the other hand was chosen as an example of a jurisdiction with very little experience in regulating trade marks prior to the harmonisation and therefore facing more questions in cases where the EU acts or CJEU case law fail to provide a clear meaning to the nationally implemented protection against dilution and against free riding.

The comparative part of the research shows that national legal traditions and closely related fields of law strongly influence the application of the EU trade mark law provisions on reputed marks. This chapter of the research also reveals that elements of the EU law provisions are applied differently in each Member State due to lack of clear guidelines on the issue from the CJEU. It is shown that due to insufficient understanding of different types of infringement set out in EU law, institutions and courts while applying the provisions on reputed marks, have focused the attention on the scope of reputation of the mark and types of goods or services for which the two marks are used or registered.

The last chapter of the thesis summarises the findings of all the chapters and provides concluding remarks. It is concluded that the EU provisions on reputed

marks need redefining and reconsidering in light of the development of the case law and in light of the changes in protection against confusion. Furthermore, the final part provides proposals for amending the respective EU provisions to make them more predictable and clearer and to allow the protection to remain more effective.

Methodology. The research has been performed by employing a combination of different methods.

Historical method was employed for three main purposes. First, it was irreplaceable for the analysis of historical rationale which led to the protection of trade marks beyond the traditional principles of territoriality and specialty in chapter I. Second, this method was used extensively to follow the path of introducing the concept of reputation in the EU legislative framework. Lastly, it was substantially relied on in chapter VI to reveal historical changes in the Lithuanian trade mark laws.

Teleological method was mainly used to analyse the intended purpose and scope of the protection for reputed marks in EU legal framework. This method was also utilised in chapter I to reveal the goals of the protection of well-known marks as established in the Paris Convention and the TRIPS Agreement. Teleological methodology was used to understand and analyse case law and practices of the trade mark registries.

Comparative research has been used to see if the researched Member States apply the provisions of the Directive and the Regulation on reputed marks uniformly and afford the same level of protection. To be more precise, the research analysed how each element of the provisions on reputed marks is applied by various EU and national institutions and whether this application is similar.

Systematic methodology has been adopted in the analysis of case law and practices of the trade mark registries. This method allowed to view the requirements for the application of each element of the provisions on reputed marks not in isolation but as part of the overall system of trade mark law. Systematic method was also used

to evaluate the relationship between the protection for all marks (so called protection against confusion) and the protection available only for reputed marks. This analysis was important to formulate the proposed changes for the relevant legal provisions.

Logical and deduction methods were mainly used to formulate conclusions and recommendations.

Linguistic method in the research was used to reveal uncertainties and ambiguities in some terminology in the legal framework. Most notably, this method was employed to analyse the differences in linguistic versions of the Directive and the Regulation and to reveal that the notion ‘reputation’ is not used in all the linguistic versions of the legal provisions. Furthermore, this method was used to analyse some opinions of the Advocate General and the decisions of the CJEU (most notably the decision of *Adidas*) which uses the notions well-known mark and ‘reputed marks’ interchangeably.

Sources for the research. The research was done mainly by relying on the three categories of sources: legal provisions, case law and practice of trade mark registries and legal doctrine.

Legal provisions. The research starts by analysing the two main international agreements which for the first time on the international level established exceptions to the two core trade mark law principles – territoriality and specialty. The provisions of the Paris Convention and the TRIPS Agreement are analysed mainly by using historical, teleological and linguistic methods. Later, chapter I also relies on the analysis of the provisions of the Directive and the Regulation (and their former versions) and all the legal instruments which led to their adoption. The most noted in the latter category are early proposals of the European Commission for the Directive and the Regulation (in their initial versions), *Memorandum on the creation of an EEC trade mark*, much later proposals on the EU trade mark law

reform and the *Study on the Overall Functioning of the European Trade Mark System* by the Max Planck Institute for Intellectual Property and Competition Law. Later, the research provides an in-depth analysis of the *Manual concerning proceedings before the office for harmonization in the internal market (trade marks and designs)* to be followed by analysis of national laws on trade marks and their implementing rules in the UK, Germany and Lithuania. In the UK, the most important provisions are established in Law on Trade Marks (1994) and in Germany the main legal regulation of trade marks is established in the Trade Marks Act (1994), although the research also looks at its prior version of 1894. Lithuanian jurisdiction required the most detailed analysis of legal provisions as trade mark laws in the country changed after the independency and required multiple changes due to accession to the international organizations and the EU. As result, the research focused on the provisions of the Law on Trade and Service Marks (1993) and its implementing provisions and on the Law on Trademarks (2000).

Case law and practises of trade mark registries. As the aim of this research is to evaluate how effective the protection of reputed marks within the EU is, case law and practices of trade mark registries are the most important source for the research. Analysis of case law and practises allowed to analyse not only how often such type of protection is granted or refused but also enabled to evaluate conditions for applying the relevant provisions and arguments of trade mark proprietors.

As regards the analysis of the case law of the CJEU and GI, it must be noted that the research did not focus on the earlier decisions if they were already extensively discussed in legal doctrine (e.g. *Adidas-Salomon*). Although some early decisions of the CJEU could not be left aside due to their continuous importance (e.g. *General Motors*), the main focus of attention was directed at the much later decisions. *Intel* and later decisions in *L'Oreal/Bellure*, *Interflora*, *Wold Jardin* which appeared in the jurisprudence of the CJEU in the recent years for the first time since the adoption

of the Directive and the Regulation provided a source for the analysis of separate elements of the provisions on reputed marks.

Similarly, the decisions of the Board of Appeal and Oppositions Divisions of the Office provided an excellent source for the analysis of different elements of the provisions of the Regulation. Decisions in proceedings like *Hollywood*, *Nasdaq*, *Viagra* provided a better understanding on importance of circumstances of the case and its various elements (such as similarity of goods and services for which both marks are used or the strength of reputation of the earlier mark).

In the three chapters on the UK, Germany and Lithuania, case law and practices of trade mark registries played an equally important role. In the analysis of the UK and Germany, the case law which was formed before entry into force of the national legislation implementing the Directive, provided a chance to understand legal traditions and very different approaches to an expanded trade mark law protection (e.g. cases like *Odol* in Germany and *Ferodo* in the UK). Analysis of later case law and practises of the trade mark registries helped to evaluate how guidance from the CJEU is accepted by national institutions (notably cases like the UK *Whirlpool/Kenwood*). In the chapter dealing with Lithuania, decisions of the trade mark registry in cases like *Zara* or *Rado Uhren* revealed that the newly introduced protection and its scope was not always easily comprehensible and helped to follow changes of practise.

Doctrine. Although the protection of reputed trade marks within the EU law is the topic which was not extensively analysed until the recent appearance of several important cases, the doctrine on trade mark dilution was discussed by legal scholars

since the famous article of F. Schechter in 1927.⁵ However, most of research focused on the question of dilution (leaving the question of the unfair advantage aside) and was much more prominent in the US. As regards the jurisdiction of the EU and its Member States, the most notable scholars on the topic which were relied on in this research are C. Gielen, I. S. Fhima, A. Kur and D. Klimkevičiūtė.⁶ The research also relied on economic and social research undertaken by such scholars as M. Morrin and J.B. Swann. The most extensive global comparative analysis on different aspects of the protection of trade marks against dilution and taking unfair advantage (edited by F.W. Mostert) was also frequently consulted.⁷

Statements to be defended

1. Legal framework of trade mark protection in cases of no consumer confusion in the EU needs to be redefined.
2. Protection of reputed trade marks as applied by the EU and national institutions lack clarity and consistency.
3. Legal traditions of the EU Member States substantially influence applicability of the protection of reputed marks. Furthermore, legal provisions on closely related fields of law such as unfair competition and ‘passing-off’ influence how frequently and how successfully the protection of reputed marks is granted at national level.

⁵ SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*. 1927, No 40 (6), pg. 813-833.

⁶ Author would like to express gratitude to prof. C. Gielen for his valuable comments and suggestions on the topic of this research.

⁷ MOSTERT, F.W. (2nd ed.). *Famous and Well-Known Marks - An International Analysis*. International Trademark Association, 2004.

4. Recent case law of the EUCJ proves that the EU trade mark law which grants protection to trade marks against dilution and taking unfair advantage needs to be redefined taking into consideration the initial theories which grant extended protection to trade marks and legal traditions of the Member States.

2 Chapter I – History and economic rationale of protecting trade marks beyond the principle of speciality

2.1 Historical background

2.1.1 Changing world and changing functions

Books on intellectual property teach us that the history of trade marks started centuries ago. Some commentators argue that the roots of trade marks can be traced back to the Roman Empire where special signs were put on the goods which were sent to the far corners of the empire or to the Far East.⁸ Other authors claim that the history of trade marks commenced in the Middle Ages when signs of guilds started being regulated by special decrees within municipalities.⁹ There is a general agreement between those writing about the history of trade marks that since the early Middle Ages trade marks were used for two main purposes – as proprietor marks and as indication of origin marks (or regulatory marks).¹⁰ The former function of the mark guaranteed an owner of goods marked by the special sign that in case of loss or theft, the goods could be returned to the lawful proprietor. The latter function ensured that only members of the particular guild (which in the

⁸ SINGH, A.K. *Well-known trademark: concept, protection and its legal implications*. VDM: Verlag Dr. Muller, 2011, pg. 4-8.

⁹ DIAMOND, S.A. The Historical Development of Trademarks. *Trademark reporter*. 1983, No 73, pg. 230.

¹⁰ See, for example, SINGH, A.K. *Well know trademark: concept, protection and its legal implications*. VDM: Verlag Dr. Muller, 2011, pg. 52.

Middle Ages had strict requirements of craftsmanship and skills for all members) had a right to use the guild's trade mark. In this way the quality of trade marked goods was ensured. Since the majority of people at the time was illiterate, the signs which were put on the goods had to be graphic and this is how the contemporary requirement for the trade mark to be represented graphically has originated.

As the guild signs ensured that only the members of a particular guild were allowed to mark their goods with the guild's sign, the trade mark of the guild not only brought the quality assurance to the attention of consumers but also informed them about the origin of the goods. Consumers were guaranteed that products marked by a particular sign came from one particular guild. And this is how the main function of a trade mark – to guarantee the origin of goods – was formed.

At the time trade marks were formed consumers of trade marked products lived in proximity to guilds. People knew the craftsmen of the region and a trade mark signified the particular guild and its physical location. If people trusted a guild they wished to acquire products made by its members. After the industrial revolution, the appearance of big factories, railways, expansion of cities and enhanced movement of people meant that the concept of the trade mark and the function it performed had to change. Physical or geographical location of a manufacturer lost its significance for consumers. Firstly, because consumers became able to buy goods brought by new means of transport from the far corners of the country. Secondly, because consumers did not know the people who worked at the factories or owned them. The importance of the actual producer and its material location lost its significance. Old craftsmanship days had passed.

As a result of these industrial and social changes the functions performed by trade marks had changed as well. The function of indicating origin of trade marked goods remained, however its perception changed. Now the trade mark was needed in order to ensure that a consumer could easily find and distinguish a product which he had bought before and liked. In addition, the trade mark signalled not the physical origin

but an origin of trade.¹¹ What became important was the guarantee provided by the trade mark that the product was of the same quality every time the consumer bought it. Therefore, the indication of origin function maintained the assurance of quality guarantee, however this time the quality became associated not with a particular guild or craftsman which used it but instead became an aspect of the trade mark itself.

During these historical developments countries started to regulate trade marks. Two main principles of trade mark law were formed – territoriality and specialty. The former ensured that a trade mark was only protected in the country in which it was registered, or in some cases, used. The latter guaranteed that each trade mark would be protected only in relation to the goods for which it was registered, or in some instances, used. These two principles, which were established in the Paris Convention and later repeated in all international agreements and national legislations, warranted that words, their combination or graphical elements were not monopolised by trade mark proprietors for whatever purpose.¹² The basic rules of

¹¹ Alice L. Blythe defines this function in the following way:

“The core of all trade marks is their ability to signal trade origin and to act as a badge of origin and a sign that the goods are of a quality that the trade mark proprietor is content to distribute under his banner. Such guarantees are not absolute, for a manufacturer can choose to vary the quality of his goods, but the resulting losses or gains are his. He alone carries the risk. Furthermore trade origin must be distinguished from physical origin as the same factory could manufacture products for two trade marks proprietors; thus both sets of goods would have the same physical origin but because they are sold under different trade marks they would have different trade origins.”

BLYTHE, A.L. Attempting to define unfair advantage: an evaluation of the current law in light of the recent European decisions. *European Intellectual Property Review*. 2012, No 34 (11), pg. 754-761.

¹² Principle of specialty is secured, for example, by Article 9 of WIPO Trade Mark Law Treaty, Article 3 of the Madrid Agreement Concerning the International Registration of Marks, Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks etc.

trade mark law well accommodated the trade conditions of the time. Goods were not sold very intensively outside the country where they were produced and marked and even if they were exported the trade mark owner could easily ensure trade mark protection in the few countries in which he operated his business by acquiring additional trade mark registrations.¹³ Another aspect of trade which has changed today was the limits to business diversification. Companies were specialized and usually produced goods of one particular type. As a result, consumers could be sure that pottery bearing a trade mark A was not produced by the same company that used trade mark A for soap. Indication of origin function protected a sign put up by a producer for use in a particular country for a specific type of goods.

In 1925 at The Hague conference the notion of a well-known mark was introduced in the Paris Convention.¹⁴ The main principle of protection granted for well-known marks was a guarantee of protection for trade marks in countries in which these marks were not registered but nevertheless known. The main reason for this departure from one of the most fundamental principles of trade mark law – territoriality – was the increased movement of goods between countries. Goods

¹³ It must be noted that the Madrid Agreement concerning the international registration of marks was adopted on 14 April 1891 most likely illustrating that prior to this time no great need for trade mark protection in multiple jurisdictions existed.

¹⁴ The Paris Convention was expanded by Article 6 bis in 1925. In 1934 in London and in 1958 in Lisbon the provision was amended to the wording as it is today. Article 6 bis of the Paris Convention provides that: “(1) The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well-known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith [...]”

advertised and sold under a registered trade mark in one country became known in other countries due to enhanced trade channels and communication.¹⁵ As a result, producers of goods which were well-known in one country had to be given protection for their trade marks in countries in which their trade marks were not protected or even used yet. It is important to note that the introduction of protection for well-known marks initially did not have any impact on the second fundamental principle of trade mark law – specialty. Even well-known marks were only protected against use for similar or identical goods.¹⁶

In 1954 the International Association for Protection of Intellectual Property proposed an amendment to the Paris Convention: the extension of protection of well-known marks to products which are not similar if there is a risk of confusion or unfair advantage or a substantial weakening of the distinctive character or the attractiveness of the mark. The proposal was presented in Lisbon. The USA delegation supported the slightly amended version of the amendment to Article 6 bis of the Paris Convention, but due to opposition from other countries it was decided not to submit the proposal to the Diplomatic Conference.¹⁷

In spite of the historical difficulties to find an agreement, in 1994 the Agreement of Trade Related Aspects of Intellectual Property Rights (hereinafter – the TRIPS

¹⁵ Globalization as the main reason for the introduction of protection of well-known marks is generally recognized by all the authors commentating on the topic, see, for example, MOSTERT, F.W. (2nd ed.) *Famous and Well-Known Marks - An International Analysis*. International Trademark Association, 2004, Release #1, 8/07, .pg.1-1 – 1-7.

¹⁶ It is generally agreed that Article 6 bis of the Paris Convention requires consumer confusion and provides protection against similar and identical goods. See, for example: MOSTERT, F.W. (2nd ed.) *Famous and Well-Known Marks - An International Analysis*. International Trademark Association, 2004, Release #1, 8/07, pg 1-10-1-11.

¹⁷ *Well known marks: Well known law? (Part 2)* [interactive. Checked on 12 July 2015]. Available at: <<http://www.camtrademarks.com/index.php?q=node/93>>.

Agreement) was adopted. For the first time on an international level the principle of specialty was limited by introducing Article 16 (3) which establishes the following:

“Article 6 bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that the use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the interests of the owner of the registered trademark are likely to be damaged by such use.”

Due to Article 16 (3) of the TRIPS Agreement, exceptions to the second main principle of the classic trade mark law were introduced. There are many justifications for Article 16 (3) of the TRIPS Agreement and some of them will be discussed in the second part of this chapter.¹⁸ However, it is sufficient to note that it is commonly agreed that market conditions, more intensive trade relations between various countries, and the rise of truly famous marks which became known throughout the world beyond the circles of consumers for which they were registered contributed to the need for Article 16 (3) of the TRIPS Agreement.¹⁹

It is generally agreed that Article 16 (3) of the TRIPS Agreement for the first time on the international level set the requirement to protect well-known marks against

¹⁸ Ibid. also SINGH, A.K. *Well-known trademark: concept, protection and its legal implications*. VDM: Verlag Dr. Muller, 2011, pg. 60-75.

¹⁹ For example, MOSTERT, F.W. (2nd ed.). *Famous and Well-Known Marks - An International Analysis*. International Trademark Association, 2004, (Release #1, 8/07), pg. 1-6 – 1-7.

the use on dissimilar goods when no confusion could be established provided that the interests of a trade mark proprietor are likely to be damaged.²⁰

Countries bound by the TRIPS Agreement apply Article 16 (3), however, contrary to Article 16 (2) of the TRIPS Agreement and Article 6 bis of the Paris Convention which were transposed into national provisions as protection for well-known marks, national laws which refer to the principles of trade mark protection set in Article 16 (3) became known as law of famous trade marks, law on notorious marks etc.²¹ Within the EU, the protection of well-known marks remains, to a large degree, subject of the Member States' competence. As a result, implementation of Article 16 (3) and conditions of protection of well-known marks under the laws of EU members vary as well.

2.1.2 Possible justifications for the protection beyond the principle of specialty

The aim of this chapter is first to take a look at justifications for adopting protection of trade marks beyond the principle of specialty, to analyse the economic and social theories justifying this protection and the changes in trade mark functions that conditioned its adoption. This chapter will end with a look at the historical road

²⁰ Although Article 16 (3) of the TRIPS Agreement refers to Article 6 bis of the Paris Convention, it must be noted that most commentators agree that Article 16 (3) is applicable only to registered well-known marks which are registered in the country where the protection is sought.

²¹ INTA's website, for example, provides that "most jurisdictions, however, distinguish between famous and well-known marks. In these jurisdictions, famous marks enjoy a higher degree of reputation than well-known marks. A famous mark often needs to be registered in at least its home country for protection, whereas well-known marks are usually protected without the need for any registration." International Trademark Association. *Factsheet on famous and well-known marks* [interactive. Checked on 14 January 2014]. Available at: <<http://www.inta.org/TrademarkBasics/FactSheets/Pages/FamousWellKnownMarksFactSheet.aspx>>.

towards the adoption of the trade mark law provisions which afford trade mark law protection beyond the principle of specialty in the EU and possible applicability of such economic and social theories to the EU law.

The historical analysis of trade marks and trade mark law developments showed that the main two principles which had underlined trade mark law for centuries – territoriality and specialty – have been questioned and limited by international agreements. Commentators on this topic have provided various explanations, economic, social and psychological grounds for the basis of this departure from the classical key elements of trade mark law.

The most common explanations can be categorised in two groups. The first group of justifications is related to the increase in trade and communication between countries. As a result of such increase, trade marks which became known in one country had to be protected in other countries in which they were not necessarily registered in order to prohibit use of the mark by third parties. Such protection performed two functions. Firstly, it ensured a right for proprietors of marks to expand into markets in which they were not yet trading. Secondly, such provisions guaranteed protection against consumer confusion. Consumers were protected from encountering trade marks controlled by the third parties not having any links to the developers of the original marks on the market. It can be concluded that the first group of justifications is primarily focused on the protection of consumers. Although the trade mark owner undisputedly benefits from the right to expand the use of his trade into jurisdictions in which the mark is not yet protected, the main focus of this protection is still directed at the consumer. The consumer is protected against confusion. Once he has become acquainted with a trade mark in one country, encountered the trade mark on the internet or saw it in the advertising on cable TV, he can be sure that the product found in another country bearing the same trade mark is of the same quality. This is why McDonald's mark in South Africa could

not be used by Joburgers drive inn restaurant even before the McDonalds Corporation secured the trade mark right in South Africa.²²

The second group of justifications regarding the departure from the core trade mark principles is related to a different perception of the trade mark. The global market and increased value of international brands amended the understanding of a trade mark as being only a means of distinguishing goods and services of different producers. New market conditions required protection for the mark itself in order to ensure continuous investment in quality of goods marketed by it, preclude free riding and safeguard fair competition.²³

Therefore, it is not surprising that legal scholars writing on the possible rationale for doctrines underlying the protection of trade marks beyond the principle of specialty mainly focus their attention on possible justifications for additional rights of the trade mark proprietors. Due to the importance of these arguments this chapter will firstly look at them as found in various doctrines and then provide a discussion on justifications from the consumers' point of view.

2.1.2.1 Protecting trade marks proprietors rights

Main theories supporting the protection of trade marks beyond the principle of specialty in one or another form are F. Schechter's theory on dilution, the theory on

²² Supreme Court of South Africa. *Decision of 1996 in case No. 547/95, McDonald's Corporation v. Joburgers Drive-Inn Restaurant (PTY)*.

²³ Almost all the commentators writing on the rationale of the protection provided for well-known marks and the additional protection for well-known marks commence their analysis with a presumption that the reader agrees that the underlying function of trade marks have spread beyond the indication of origin. See, for example, SINGH, A.K. *Well know trademark: concept, protection and its legal implications*. VDM: Verlag Dr. Muller, 2011, pg. 52-58.

protection against the free riding, the brand expansion theory and the theory on protecting the advertising function of the trade mark.

2.1.2.1.1 Dilution theory and the theory on protection against free riding

It is commonly agreed that the initiator of the dilution theory is Frank Schechter. Back in 1927 Schechter argued that indication of origin was not the sole function of a trade mark.²⁴ F. Schechter argued that:

“The following principles necessarily emerge: 1) that the value of the modern trademark lies in its selling power; 2) that the selling power depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity; 3) that such uniqueness is vitiated or impaired by its use upon either related or non-related goods; and 4) that the degree of its protection depends in turn upon the extent to which, through the efforts and ingenuity of its owner, it is actually unique and different from other marks.”²⁵

F. Schechter did not agree that the only two possible justifications for protection against non-similar goods are possible consumer confusion and the risk of damage to the trade mark owner. Instead, he supported the idea that “the mark actually sells the goods. And self-evidently, the more distinctive the mark, the more effective it’s selling power.”²⁶

²⁴ SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*. 1927, No 40 (6), pg. 813-833. Dilution is understood as the protection against blurring and tarnishment. Traditionally, the dilution theory does not encompass the protection against free riding.

²⁵ SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*. 1927, No 40 (6).

²⁶ SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*. 1927, No 40 (6), pg. 544-547.

Tony Martino, in support of F. Schechter's theory argues that the economic reasoning for protection against dilution is as follows: each mark conveys direct (information about the product) and indirect (information about the producer i.e. origin) information. Economically, it is most beneficial that the mark transfers the most accurate information of both types because consumers do not have to waste time in obtaining information about the product or to buy a product to experience its quality. If the mark is used for non-similar goods, confusion does not occur but the indirect information is impaired and therefore consumers do not receive optimal information quantities. Following the F. Schechter theory, the author argues that only invented marks or descriptive marks that have acquired distinctiveness through use should be granted the extended protection.²⁷

Schechter's theory is supported by another group of commentators who argue that the choice of signs, colours and figures (let alone smells and sounds) is non-exhaustive and there is no reason for the new entrant to the market to use the earlier mark in spite of the nature of goods.

However, the opponents of this theory suggest that the truly distinctive and unique marks, on contrary, are not easily diluted. Following their position, marks which are created and highly acknowledged in the consumer circles are less likely to be diluted by use of similar or identical marks for dissimilar goods or even parodies or comparative advertising. For example, Ilanah Simon Fhima argues that:

“If anything, we might expect marks with a greater level of distinctiveness, be it acquired or inherent, to be more resilient, and to maintain their distinctiveness in the face of attack.”²⁸

²⁷ MARTINO, T. *Trademark dilution*. Oxford: Clarendon press, 1996, pg. 121-123.

²⁸ FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 143.

As the different positions show, there is no consistent approach or clear data supporting or denying the higher probability rate of dilution of truly distinctive marks.

F. Schechter's theory, laying the grounds for the protection of dilution did not cover the second aspect of the protection provided by the EU law to the reputed marks – which is also known as the protection against free riding. The most common argument justifying the protection against taking unfair advantage is based on the presumption that unfair advantage reduces the initiative of proprietors to invest in their mark's reputation. As a result, trade mark owners invest less in the quality and exclusivity of their products. As analysed by several commentators, such negative effects of unfair advantage can be explained in the following way:

“Gangjee and Burrell outline the way in which the creation of incentives might be argued to justify such protection. Adopting economic terms, free-rider problems flow from the generation of some positive externality (a benefit to parties who are not involved in the economic transaction). In the context of trade marks, investing in a mark's image generates a positive externality if others can use this mark for their own purposes, reducing, for example, their own need to invest in advertising. The problem with such positive externalities is that they may lead to underinvestment in the activity that generates the benefit in question (in this case developing brand image and atmospherics). The reason for this is that the market signal will fail to reflect the full value of the activity.”²⁹

This causes a negative effect on the market because imitators do not invest in creating the competitive advantage of their products. As a result the general quality

²⁹ BOX, J.K. Trade mark law and the threat to free speech. *Intellectual Property Quarterly*. 2012, No (4), pg. 299.

of products offered on the market drops.³⁰ However, the theory supporting the protection against taking unfair advantage also has its weak point as it must be observed that the overextended protection against unfair advantage can have a similar effect to a monopoly on the market because new entrants are precluded from using any earlier marks as a reference point and comparison instruments for the introduction of their product.³¹

³⁰ It must be noted that the rationale and effectiveness of protecting the investment in the mark and its ability to increase overall quality of goods on the market has been the subject of a debate between the scholars in the US for a very long time. Two schools advocating opposing views on the issue – Harvard school and Chicago school perfectly reveal the difficulties to prove whether protection of investment in the mark is necessary and desirable for the market. On the one hand, such protection encourages investment in quality, on the other hand it complicates entry into the market and can encourage competition based not on the quality and price but rather on the persuasive advertisement. Whether the latter factor which allows companies to charge a higher price just for the image of the mark is a negative result of a wide trade mark protection is also not clear and has not been economically confirmed or rejected.

See SWANN, J.B. The Evolution of Trademark Economics—From the Harvard School to the Chicago School to WIPO 2013—As Sheperded by INTA and The Trademark Reporter. *The Trademark Reporter*. 2012, No (104/5), pg. 1132-1140.

Although J.B Swann in the article supports the Chicago school which advocates the expanded protection for marks, the WIPO report which is mentioned by the author clearly indicates that there is no clear economic data to support either the current legislative options on the scope of trademark protection or particular practices of trade mark registrations. Furthermore, the report also establishes that clear data on the return in investing in trade marks cannot be concluded to exist as many factors such as rentability, real length of investment return and others which are normally known in case of investment in other fields cannot be calculated for trade marks.

World Intellectual Property Organization. *World Intellectual Property Report. Brands- Reputation and Image in the Global Marketplace 2013*, pg. 93-106 [Interactive. Checked on 15 August 2015]. Available at: <http://www.wipo.int/edocs/pubdocs/en/intproperty/944/wipo_pub_944_2013.pdf>.

³¹ Ilinah Simon Fhima argues that:

Another right protecting the investment in the mark which is discussed by legal and economic scholars that also ensures prohibition against free riding is the right to the brand expansion. Supporters of the brand expansion theory claim that proprietors of well-known marks must be free to expand their business using the same trade mark.³² Since the trade mark owner has invested in the creation of the mark, he must be allowed to use the same mark on different goods using the existing mark and potentially the existing customers. It is unfair for the third party to use the known mark on different products thereby exploiting the investments made by the trade mark proprietor. This theory is closely related to the realities of contemporary business. Big chains and producers of luxury goods do expand in the markets of closely related products. As a result, it has become customary for a fashion designer to produce perfumes or create a cosmetic line, to mention just one of the most common examples.

However, the theory of protecting a right to expand does not provide justification for a protection against truly dissimilar goods. Although it is undisputed that a famous designer might commence the production of perfume, it is less likely that he will become interested in producing gardening tools or medication. F. Schechter

“Those who oppose unfair advantage also call on an economic argument, that there is a strong public interest in allowing third parties to take advantage of other people’s efforts because this enables people to build on other people’s efforts in order to come up with something better. Although the importance of this argument may be more apparent in patent or copyright and design law, once again, the expanding scope of what is classed as a trade mark increases the risk that preventing an advantage being taken of a trade mark will block competitors from being able to access product features that they need to compete effectively”.

FHIMA, I. S. and JACOB, R. Trademark Dilution in the European Union in BERESKIN, D. R. (Ed.) *International Trademark Dilution*, Westlaw, 2013, pg. 244-245.

³² See, for example, DILLBARY, J. S. *Famous trademarks, snobbism and anti-dilution: an economic analysis*. University of Chicago, 2007, pg.10-30.

argued that protecting expansion is necessary because market conditions at certain historical times force producers to change their business fields.³³ Although the historical examples might be true, they fail to explain the reasons for choosing the same trade mark for completely different goods after the company is forced or chooses to change the field of production. It is hardly believable that a consumer that enjoyed a smell of a luxurious perfume will be tempted to buy an electric saw bearing the same trade mark. To agree with F. Schechter would mean that a trade mark signifies a connection with a particular producer and conveys information about it. As it was discussed above, the importance of the producer has lost its significance a long time ago and trade mark function has shifted to signifying a known quality of the mark instead.

2.1.2.1.2 Protecting the advertising function

Another commonly used argument in support of the protection of marks beyond the principle of specialty is the necessity to protect the advertising function of trade marks.

It probably should be concluded that the theory of protecting the advertising function of trade marks is closely connected to the claim urging protection against unfair advantage discussed above. The exact scope and meaning of the function is far from clear, however it seems that any unauthorised use of the mark on the market is considered damaging to the power of attraction of the mark.³⁴ Furthermore, it is argued that the use of the same trade mark on lower quality goods leaves consumers with an unpleasant feeling which cannot be controlled by the trade mark proprietor.

³³ He gives an example of many companies that were forced to change from military goods to household goods after the Second World War.

³⁴ Probably with the very limited exceptions allowing to use trade marks in comparative advertising, artistic works, including parodies, and similar cases.

However, the protection of the advertising function theory has its pitfalls as well. Commentators like David S. Welkowitz argue that F. Schechter's scenario of lessening the power of attraction of a Rolls Royce car by the production of the Rolls Royce candies is not very believable:

“If Rolls Royce makes a reasonable effort to advertise its mark and maintain the quality of its cars, there should be no dilution. If Rolls Royce cannot or will not advertise its mark and its mark declines in strength, the weakened mark probably reflects a decline in demand from Rolls Royce cars. Such a natural dilution cannot be actionable, even under an exclusive property rights theory of trademark.”³⁵

As a result, the critique of the over extensive protection of the advertising function could be compared to the critique of protection against detriment to distinctive character. Basically, it claims that if the trade mark proprietor continues advertising the mark, no late uses of the same trade mark should affect the selling power of the mark adversely. In the same line of criticism, some authors note that reputation is not eternal; therefore, if the mark is not properly promoted and is subjected to risk of dilution, it should not be protected by law.³⁶ Furthermore, the theory fails to

³⁵ WELKOWITZ, D. S. Re-examining Trademark Dilution. *Vanderbilt law review*.1991, No 44 (531), pg. 539-540.

³⁶ There are many examples where trade marks have become generic like Aspirin or Linoleum. Others, like Mazda, which was mentioned by F. Schechter as an example of undisputed fame within the electric goods market, is now known for cars but not for electric lamps any more. Yet a third category of trade marks, like “Blue Goose”, mentioned by F. Schechter, have disappeared from the market altogether. Many commentators argue that such examples show that any dilution protection and safeguarding advertising function is superfluous, because if reputed marks are properly promoted no unauthorized use should pose hazards to the fame of the marks. On the other hand, if known marks are not promoted any more and proprietors fail to continue investing in them, these marks should not be protected for the sake of past reputation. See for example, Hazel Carty who bases his conclusions on Welkowitz and states:

address the situations in which the later mark is used on goods of the same or even higher quality.³⁷

2.1.2.2 Protecting the rights of consumers

Two main theories justifying the additional protection of well-known marks from the consumers' point of view are the theory on reduction of search costs and the protection of the exclusivity feeling related to the purchased products bearing a well-known mark. The theory on enforcement costs is also discussed below as it equally relates to the protection of rights of the trade mark proprietors and the consumers.

2.1.2.2.1 Reducing search costs

The search costs theory is probably the most discussed theory invoked to reason protection against dilution and safeguards for reputed marks from the consumers point of view. The supporters of this theory argue that a trade mark enables consumers to identify the product on the market, the quality of which is already known to the consumer without losing extensive amount of time.³⁸ As a result, the

“Again, it is more than debatable that well-known or successful marks need the extra help of dilution protection. Rather, they already have the advertising power and market strength to maintain their commercial success. If trademark owners fail to promote the mark and its products, then they run the risk that another, non-confusing use will supplant the fame of the older mark. But this is as it should be. In a competitive economy, the competitors must stay alert. A failure to advertise exemplifies a failure to compete effectively.”

CARTY, H. Dilution and passing off: cause for concern. *Law Quarterly Review*. 1996, No 112, pg. 645.

³⁷ For example, High Court of Justice (Chancery Division). *Decision of 4 August 2008 in case Whirlpool Corp v Kenwood Ltd*.

³⁸ Andrew Griffiths argues that trade mark law encourages company's R&D by reducing search cost of the consumer and ensures the product's quality. When consumers identify a link between the products they expect the assurance of the same quality to the one already known by them.

trade mark enables consumers to make a quick decision as to whether to buy a particular product based on their previous experience.³⁹ It is argued that if the same trade mark is used for dissimilar goods, the consumer is still reminded of the earlier trade mark. This theory, in the opinion of the author, has two main pitfalls.

Firstly, it is not clear whether the number of times that consumers link the two trade marks when identifying the desired product is significant enough to be protected by law. Perhaps the consumer of the luxury clothing brand will be reminded of its existence when seeing an electric saw of the same trade mark. However, if one accepts that trade mark law does not protect a mere link between two marks identified by consumers *per se*, the question of harm must be addressed. It is far

GRIFFITHS, A. *An economic perspective on trade mark law*. Edwar Elgar Publishing Limited, 2011, pg. 126-130.

Stacey L. Dogan and Mark A. Lemley simply argue that the search costs theory is beneficial to consumers because it reduces the cost of search while sellers benefit because they can invest in a goodwill that others will not appropriate. Authors also claim that reduction of search costs is aimed at ensuring competition. “Informed consumers will make better-informed purchases, which will increase their overall utility and push producers to develop better quality products”.

DOGAN, S. L. and LEMLEY, M.A. A search – cost theory of limiting doctrines in trademark law in DINWOODIE, G. B. and JANIS, M. D. (Ed.) *Trade mark law and theory: A handbook of contemporary research*. USA Northampton: Edward Elgar Publishing, 2008, pg. 68-69.

³⁹ “when shopping for breakfast cereal, a consumer need not expend cognitive resource banishing other SPARROW branded goods from his or her consciousness. Legal prohibition against dilution ensure that our passage down supermarket aisles is not impeded by consumers who pause to think.”

AUSTIN, W. Tolerating confusion about confusion: trade mark policies and fair use in DINWOODIE, G. B. and JANIS, M. D. (Ed.) *Trade mark law and theory: A handbook of contemporary research*. USA Northampton: Edward Elgar Publishing, 2008, pg. 377.

from clear what damage, except from the mental association between two trade marks, occurs.⁴⁰

Secondly, it must be noted that trade mark proprietors expand into new types of products. Although, as was discussed previously, the majority of commentators regard this possibility for the trade mark owner as worth protecting, it is not clear how the search costs theory could be compatible with this. According to the search costs theory, the waste of time in searching for goods is considered to be a result of a failure to provide protection against non-similar goods. However, if a right to use a trade mark for dissimilar goods is secured for the proprietor of a reputed mark, the consumer is faced with a situation in which two dissimilar goods bear the same trade mark. As a result, the consumer is forced to identify the producer and wastes time. The search costs theory therefore fails to explain why the use of the same mark by one proprietor produces different results from such use by multiple users.

⁴⁰ It also must be noted that the search costs theory seems to be much more applicable to explain the protection against confusion. This theory is used to explain the rationale behind the confusion protection which encompasses protection against not only identical but also similar or substitutable goods. It is much more plausible to argue that the consumer would have to waste a considerable amount of time identifying the producer of goods which are similar or related to the goods marked by the earlier trade mark than to argue that search time would be lost identifying goods which are completely separate and dissimilar to those initially marked by the known mark.

It is also worth noting the report of the World Intellectual Property Organization. *World Intellectual Property Report. Brands- Reputation and Image in the Global Marketplace 2013* [Interactive. Checked on 15 August 2015]. Available at: <http://www.wipo.int/edocs/pubdocs/en/intproperty/944/wipo_pub_944_2013.pdf>.

The report, among other issues, investigates economic rationale for the protection of trade marks. The rationale behind the support of search cost theory application in trade mark law field in the report seems to be grounded on the perception that this theory is applied only in confusion cases as the report justifies the search cost theory as a mean for consumers to easily find a particular product which quality the consumer has already experienced in the past (pg. 12). The quality assurance function is not supported for a company using the mark; rather for it's use as regards particular goods and services.

Studies made to evaluate the psychological effects and automatic correlation between the mark and the particular product showed that there is no clear data to prove that brand expansion by the trade mark proprietor himself has less negative effects than the use of the same mark by third parties.⁴¹

2.1.2.2.2 Securing the “exclusivity” feeling of consumers

Commentators on the contemporary functions of trade marks state that buying a particular product provides the consumer with several gains. Firstly, the consumer receives a product marked by the particular trade mark. Secondly, the consumer is rewarded with the specific feeling which is related to the image and aura created by

⁴¹ MORRIN, M. *The effects of brand name dilution on memory retrieval and the formation of consideration sets*. Michigan: UMI dissertation services, 1995, pg. 87.

Sandra R. Rierson also admits the inconclusive results of the study of M. Morrin and points out another difficulty of proving search costs theory as done by M. Morrin and J. Jacoby – testing association between various trade marks and words outside the regular conditions where consumers normally encounter the products marked by these signs:

“Another question not addressed by this study (MORRIN, M. and JACOBY, J. Trademark Dilution: Empirical Measures for an Elusive Concept. *Journal of Public Policy and Marketing*, 2000, No 19 (2), 79), author’s remark) is whether the effect measured in the laboratory persists in real-life commercial settings. As discussed above, when determining the meaning and the effectiveness of language, the power of context is difficult to overstate. The law and economics explanation of trademark law is based on the notion that trademarks function as source identifiers *in the commercial marketplace*. A mark’s ability to act as a source identifier for the consumer *outside* that context, or in no context at all (a situation which is more likely to exist, if at all, in a controlled study rather than any ordinary consumer experience), is of questionable value. The aim of trademark law is not (and should not be) to preserve a mark’s ability to identify a particular source in the abstract, outside the realm of commerce and indeed devoid of any context at all.”

RIERSON, S. L. The myth and reality of dilution. *Duke Law & Technology Review*. 2012, October, pg. 242-243.

the trade mark proprietor through advertising and promotion of the mark.⁴² Supporters of the theory that consumers receive multiple gains maintain that anti-dilution protection is necessary because producers are only capable of controlling the physical element of purchase (the good). Producers are however not able to control the image and aura of the mark if the mark is being used by several unrelated producers. As a result, the consumer of a luxury perfume brand A is harmed by the use of the mark A for foods, as he loses a part of exclusivity feeling which he acquired with the purchase of the perfume. Through prohibition of dilution consumers are protected because the value of the intangible goods is not diminished by uncontrolled use of the mark by third parties.

The opponents argue that the optimal price for the good should be exclusively determined by its quality and the demand created by it. Consumers' willingness to pay for features which are not possible to measure objectively such as image or aura should not encourage price increase or demand.⁴³ Following this line of argumentation, the producers have to compete only on the basis of quality and price. In this way the consumers are offered the best goods for the lowest prices.

⁴² DILLBARY, J. S. *Famous trademarks, snobbism and anti-dilution: an economic analysis*. University of Chicago, 2007, pg. 10-30.

⁴³ Andrew Griffiths observed that Harvard school expressed doubts about benefits of marketing function of trade marks because it allows an increase in price for a brand without encouraging lower costs.

GRIFFITHS, A. *An economic perspective on trade mark law*. Edwar Elgar Publishing Limited, 2011, pg. 125-126.

Robert G Bone states that theories which claim that paying for the brand image creates negative effects on the market without requiring to optimise the costs are difficult to prove because one would have to decide what a good and a bad choice is. BONE, R. G. Enforcement costs and trademark puzzles. *Virginia law review*. 2004, No 90, pg. 2099.

2.1.2.2.3 Reducing enforcement costs

Some authors have claimed that each legal provision must be assessed depending on the costs of enforcing it. For example, Robert G. Bone has tried to analyse trade mark law provisions, including the ones related to the protection against dilution, by assessing how difficult and expensive it is to enforce each provision.⁴⁴ Enforcement costs include the costs incurred by the litigating parties in order to collect evidence and argue their case, the cost of court time, payments for experts etc. Robert G. Bone claims that any legal provision is effective only if its enforcement costs are affordable. Therefore, even if the legal provision itself does not reflect the perfect balance for all interested parties but can be relatively easily and cheaply enforced, it is better than a legal provision which balances interests in a perfect way but is in practice unenforceable (or can only be enforced at a substantial cost).

According to some commentators F. Schechter's theory and the former Article 13 (A) of the Benelux trade mark law act are overprotective of trade mark proprietors and grant monopoly rights to a trade mark.⁴⁵ However, these provisions could be praised for their simple wording and clear infringement standard (the mental link).

⁴⁴ BONE, R. G. Enforcement costs and trademark puzzles. *Virginia law review*. 2004, No 90.

⁴⁵ For example, Catharine Colstone and Jonathan Galloway state that the new dilution protection in the UK "protects the opportunity to expand into new markets, but overprotection remains a danger if a trade mark proprietor is to be able to monopolise the mark in all fields of goods and services."

COLSTONE, C. and GALLOWAY, J. (3rd ed.) *Modern Intellectual Property Law*. Oxon: Routledge, 2010, pg. 667-668.

For example, David S. Welkowitz commented on the position of Middleton who claimed that the dilution theory contradicted the principle following which trade mark law protected the trade, not the mark. In D.S. Welkowitz view, Middleton further ascertained that dilution gave a property right – in effect, a copyright in the mark separate from the trade in which it is used. In Middleton view, expansion of the purview of

2.2 Protection against dilution and free-riding in the EU

2.2.1 Road to the protection against dilution and free riding in the EU

A common approach towards the obstacles posed to the proper functioning of the internal market by differences in intellectual property laws between the Member States was formed in the EU institutions as early as the 1960's.⁴⁶

Trade mark law was one of the issues to be dealt with by the EU institutions. As early as 1964 the EU presented its first initiatives in regulating trade marks and launched the 1964 draft for the “Convention on European trade mark law”. In 1976 the European Commission published a Memorandum on the creation of an EEC trade mark (hereinafter – the Memorandum).⁴⁷ The Memorandum clearly shows that the question on the protection of trade marks regarding non similar goods (or the departure from the principle of specialty) was already the subject matter between the Member States. Point 108 of the Memorandum established the following:

“on the other hand, there are objections to extending the exclusive right of the trade mark owner beyond that of opposing the use of an identical or similar trade mark for identical or similar goods which is made ‘without justification’ under circumstances which may damage the owner of the EEC trade mark’. Because of

likelihood of confusion, especially in non competing goods cases, provided all the protection necessary for a trademark.

WELKOWITZ, D. S. Re-examining Trademark Dilution. *Vanderbilt law review*. 1991, No 44 (531), pg. 535.

⁴⁶ The first clear attempts to take action in the field of trade marks by the European Commission were endorsed by the 1964 draft for the “Convention on European trade mark law”. *The Draft Convention on European Trade Mark Law*. 1964, *H.M.S.O.*

⁴⁷ European Commission. (1976). *Memorandum on the creation of an EEC trade mark*. Bulletin of the European Communities, Supplement 8/76.

its general wording, this provision would carry the risk of an extension of the monopoly of the trade mark owner beyond the proper needs of trade mark protection. What might be acceptable is a special provision directed against the use of well-known trade marks for dissimilar goods where such use is likely to have a detrimental effect on the distinctive force and the advertising value of the trade mark in question. However, these are exceptional cases which may be taken care of adequately applying the general provisions of competition law or the law of torts, or special provisions, as in the Benelux trade mark law. In so far as the trade mark laws of some Member states give trade mark protection in cases where the protected trade mark is used for the purpose of attaching references or making comparisons, or for other unfair purposes, these cases do not appear to fall within the ambit of the European Union trade mark law. The rules fall rather within the law of unfair competition, a field in which harmonisation measures are being considered at European Union level.”

It must be noted that the Memorandum clearly acknowledged the advertising and sales promoting functions of trade marks, however, as is illustrated by the quoted passage, it was considered more appropriate for any expanded protection to be dealt with through competition law.⁴⁸ It must be noted that the debate about the most appropriate branch of law to deal with the protection of trade marks extending beyond the principle of specialty was not limited to the initial legislative instruments in the field of trademarks and is reflected in national laws of the Member States even today.⁴⁹

⁴⁸ The acknowledgement of additional trade mark functions is found in e.g. point 21 and 68 of the Memorandum.

⁴⁹ The historic background of the EU Unfair Commercial Practices Directive initiative shows that the protection of business names and trade identifiers was foreseen in the first drafts of the directive. However,

The legislative instruments proposing the Directive did not include any provisions on reputed trade marks until the last amendments in 1986.⁵⁰ Contrary to the proposal for the Directive, the proposal of the European Commission for the European Union

following lengthy negotiations on the matter, the proposal was delayed. Some commentators claim that the protection of reputed marks and the right to oppose use, not only on similar, but also on complementary goods, was inserted in the Directive to enhance the protection against unfair competition circumventing the Unfair commercial practices directive. As the research will disclose later in chapter V, in some new Member States the term “reputation” in trade mark law is interpreted to require a quality element due to the same term used in competition law revealing the thin separation line between trade mark and unfair competition laws. The need to re-examine the particular relationship between trade mark law and unfair competition law has also been spotted in academic literature after the recent developments in the EU courts’ jurisprudence. Use of the identical term in both fields of law certainly does help avoiding confusion.

It must be remembered that the protection of trade marks against use on dissimilar goods prior to the Directive was considered to be a part of law on unfair competition under German law. Today, after the CJEU decision in *L’Oreal/Bellure* and the concept of unfair advantage provided in it, many commentators go back to the need for reexamination of the protection of unfair advantage and trade mark law and reconsider its possible absorption into the unfair competition law. See, for example, HORTON, A. The implications of *L’Oreal v Bellure* - a retrospective and a looking forward: the essential functions of a trade mark and when is an advantage unfair? *European Intellectual Property Review*. 2011, No 33(9) and DINWOODIE, G. B. *Dilution as Unfair Competition: European Echoes* in DREYFUSS, R. C. and GINSBURG, J.C. (Ed.). *Intellectual property at the edge: the contested contours of IP*. Cambridge University Press, 2014, pg. 100-102.

⁵⁰ The commentary on the second recital in the Amended Proposal provides that: “In addition, the last sentence has been deleted so as to make it clear that existing protection for national trade marks of wide repute is not excluded by the introduction of protection for European Union trade marks of wide repute.” However, no detailed regulation on the question of reputed marks was further provided in the proposal. European Commission. *The commentary on the second recital in the Amended Proposal for a first Council directive to approximate the Laws of the Member States relating to trade marks* (COM(85) 793 final, 17 December 1985).

trade mark regulation established protection for the reputed marks as early as 1980.⁵¹

Ilanah Simon Fhima argues that the inclusion of protection for reputed marks in the proposal for the Regulation, and the omission of these provisions in the early proposals for the Directive, had to ensure popularity for the European Union trade mark by affording it additional measures of protection.⁵²

Although the EU law system is unique, independent and not founded on the framework of a particular Member State,⁵³ it is almost undisputed that the protection of reputed marks found its way into the text of the Directive due to the influence of the Dutch delegation in negotiations.⁵⁴ Article 13 (A) of the Benelux Trade Marks Act of 1971 provided that:

⁵¹ See, Article 8(1) (b) of the Proposal for a Council Regulation on the European Union trade mark. European Commission (1980). *Proposal for a Council Regulation on the European Union trade mark*. OJ No 351, 31 December 1980.

⁵² FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 11-12.

⁵³ CRAIG, P. and DE BURCA, G. (3rd ed.) *EU law, texts, cases and materials*. Oxford: Oxford University Press, 2003, pg. 178-230.

⁵⁴ FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 10-13.

This opinion is also supported by many commentators, see for example, Alexander Tsoutsanis:

“The Belgian and Netherlands delegations made their acceptance of the approach by the Commission and the majority subject to the inclusion in Article 3 of a clause inspired by Article 13A of the Benelux law on trade marks. This law, as a result of a long judicial evolution, has recognized as rights conferred by the trade mark, further to the traditional rights recognized in most States, the right to oppose any use of the trademark or a similar sign in the course of trade and without just reason under conditions which might cause prejudice to the trade mark owner.”

“Without prejudice to the possible application of ordinary civil law in matter of civil liability, the proprietor of a mark may, by virtue of his exclusive rights, oppose:

- Any use made of the mark or a similar sign for the goods or services in respect of which the mark is registered, or for similar goods or services;
- Any other use, in the course of trade, of the mark or a similar sign made without due cause under circumstances likely to cause damage to the proprietor of the mark.”

Although the Benelux Trade Marks Act did not use the term “reputation” ,“repute” or any other term limiting the protection to a particular type of trade mark, it provided a basis for the protection of marks against dissimilar goods. Historical analysis performed by legal scholars usually provides a uniform explanation for the limitations imposed on Article 13 (A) of the Benelux Trade Marks Act. It is commonly agreed that Article 13 (A) establishing a very wide protection for all trade mark proprietors against non-similar goods was considered by other Member States to be overprotective and too wide.⁵⁵ As a compromise between different Member States,⁵⁶ in a final version of the Directive, the protection against non-

TSOUTSANIS, A. The biggest mistake of the European Trade Mark Directive and why the Benelux is wrong again - between the European Constitution and European conscience. *European Intellectual Property Review*. 2006, No 28 (2). pg. 74-82.

⁵⁵ Many commentators agree that the protection of reputed marks is largely constructed on Benelux law, see, for example CORNISH, W.R. and LLEWELYN, D. (5th ed.) *Intellectual property*. Sweet and Maxwell, 2003, pg. 17-99.

⁵⁶ WAGNER, A. Infringing trade marks: function, association and confusion of signs according to the E.C. Trade Marks Directive. *European Intellectual Property Review*. 1999, No 21(3), pg. 127-132. Such position is also supported by CASPARIE – KERDEL, S. Dilution disguised: has the concept of trade mark dilution made its way into the laws of Europe? *European Intellectual Property Review*. 2001, No 23 (4), pg. 185-195.

similar goods was limited to the reputed (in English version) or known (as translated from German, French and Dutch) marks and four particular types of potential infringements of such marks were introduced as well.⁵⁷

⁵⁷ Article 5 (3) of the Directive provides:

“ Furthermore, a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where:

(a) it is identical with, or similar to, an earlier trade mark irrespective of whether the goods or services for which it is applied or registered are identical with, similar to or not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Member State in respect of which registration is applied for or in which the trade mark is registered or, in the case of an EU trade mark, has a reputation in the Union and the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark”

Article 10 (2) of the Directive provides:

“(c) the sign is identical with, or similar to, the trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to, or not similar to, those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.”

Article 8 (5) of the Regulation provides:

“Furthermore, 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 European Union trade mark the trade mark has a reputation in the European Union and, in the case of an earlier national trade 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.”

Article 9 (2) of the Regulation states:

“(c) the sign is identical with, or similar to, the EU trade mark irrespective of whether it is used in relation to goods or services which are identical with, similar to or not similar to those for which the EU trade mark is registered, where the latter has a reputation in the Union and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the EU trade mark.”

Although the origins of the EU provisions on reputed marks are clear, it is worth noting that the concepts of, “detriment “and “unfair advantage” were used neither in the Benelux Trade Marks Act or in the legislation of any of the Member States of the European Union at the time. Furthermore, the English version of the Directive uses the term “reputed trade mark” the meaning of which is not identical to the meaning of this provision in other languages which emphasise knowledge among the public rather than a quality or repute of the mark. It is regretful that preparatory work on the Directive and the Regulation does not shed much light on the purpose and aim of the wording chosen for the EU law provisions regarding reputed trade marks and therefore provides no guidelines as to the intended meaning or the conditions of application for the newly introduced provisions.

2.2.2 Theories on protection against dilution and free riding under EU law

The discussion above revealed that the provisions on protection against dilution and free riding in the EU were strongly influenced by national legal traditions of the Member States.

As the historical analysis of adopting provisions on reputed marks revealed that EU law provisions were not based on one particular theory, it is worth taking a look at the extent to which the theories discussed in this chapter could be applied to the EU law provisions on reputed marks. Evaluating which theories can be applied to the EU law would enable more reasoned interpretation of the provisions for reputed marks. Furthermore, such analysis should benefit the considerations on possible legislative changes in the framework of the trade mark law.

Dilution theory. The problem with the application of F. Schechter’s theory to the current EU provisions on reputed marks is threefold. Firstly, F. Schechter’s theory was based on the protection of distinctive marks and did not require a high threshold of knowledge of the mark in the consuming public. Secondly, the theory does not

foresee a protection regarding similar goods.⁵⁸ Lastly, F. Schechter's theory does not provide a rationale for protection against unfair advantage. As a result, it must be concluded that F. Schechter's theory, although enabling us to clarify to a certain extent the protection against detriment under EU law, does not fully explain the wording and requirements of Article 5 (3) (a) and 10 (2) (c) of the Directive and equivalent provisions of the Regulation.

Protection against free riding. Protection against taking unfair advantage is quite difficult to justify under trade mark law. The reason for this difficulty lies in the jurisprudence issued by the CJEU in *L'Oreal/Bellure*. In the *L'Oreal/Bellure* decision the CJEU ruled that for protection against free riding of the senior mark no harm needs to be established. This causes discussion on the question of what is then the rationale and justification of the protection against taking unfair advantage. Such approach is regarded to be incompatible with the Directive by some commentators.⁵⁹ In the same line of argument, Lord Jacob LJ in reference for the preliminary decision in *L'Oreal/Bellure* stated that:

“Clearly activities which actually harm a trade mark or its reputation ought to be caught by trade mark law. And there may be other activities which can properly be called ‘unfair’. But where there is no harm, present or prospective, caused to the

⁵⁸ Although it must be admitted that F. Schechter was silent on the issue of protection regarding similar goods, examples provided to support his theory do, in the opinion of the author, suggest that the protection was intended for dissimilar goods only.

⁵⁹ Andrew Griffiths mentions Gangjee and Burrell as examples of supporters of such commentators, according to him these commentators state that the fact that the CJEU does not require to show damage to the proprietor but merely requires to prove free riding is criticised as inconsistent with the Directive.

GRIFFITHS, A. *An economic perspective on trade mark law*. Edwar Elgar Publishing Limited, 2011, pg. 275.

mark, its distinctive character or to the mark owner or his business, present or reasonably prospective, I see no reason to say that a use is ‘unfair’.”⁶⁰

As it was mentioned above, the question after *L’Oreal/Bellure* remains whether the EU provisions on the protection against unfair advantage have secured the right balance between over protection and under protection of reputed marks.

Furthermore, another difficult issue regarding the protection against taking unfair advantage as it is applied in the EU is related to the defence of a “due cause”. After the Office accepted the general interpretation on the issue of the Benelux Court in *Lucas Bols* case in *Hollywood*, it is difficult to suggest uses of senior marks that could be classified as a “due cause”.⁶¹ The issue of due cause will be discussed in chapter II, however, for the present discussion it is important to raise a question whether an act of taking advantage unfairly can be truly justified by any due cause, and if this is the case, whether such act can be considered taking unfair advantage in the first place.

Lastly, some commentators correctly note that the scope of protection against unfair advantage in cases where the use under attack is related to similar or identical goods has become very unclear. To be more precise, it is claimed that the difference of the protection provided by Article 10 (2) (a) and 10 (2) (c) of the Directive has blurred. The reason for this confusion is caused by the jurisprudence of CJEU in *Davidoff* which expanded the scope of Articles 10 (2) (c) /9 (2) (c) to similar and identical goods and in *Google v. Louis Vuitton* in which the court concluded that the function

⁶⁰ Quoted from DAVIS, J. (4th ed.) *Intellectual property law*. Oxford: Oxford University Press, 2011, pg. 229. The author claims that Lord Jacobs viewed the CJEU *L’Oreal/Bellure* judgment as too protective in effect implying that any use for comparison should be considered infringing if the user gained any benefit and that any free riding should be considered as unfair (pg. 230).

⁶¹ European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*.

of origin does not have to be infringed to conclude trade mark infringement based on confusion protection, damage to other functions might be found to be sufficient. The problem is illustrated by Audrey Horton:

“In its judgment the ECJ steered a course somewhere in between these two arguments. While holding that the trade mark is always supposed to fulfil its function of signalling origin, which according to established case law is its essential function and its specific subject-matter, art.5(1)(a) ought not to be interpreted as excluding protection against acts that adversely affect the other functions of advertising and investment. Furthermore they stated that there were no grounds for holding that only trade marks with a reputation are capable of having functions other than that of indicating origin. However, this raises some complex issues concerning the overall state and framework of the scheme of protection.”⁶²

In other words, the expedience of protection against unfair advantage in similar/identical goods situations is far from clear, as almost the same protection is afforded under Article 10 (2) (b) of the Directive.

Protection of advertising function. The protection of the trade mark’s advertising function as discussed above could be used as a ground and justification for a more extensive protection of reputed marks in the EU if such protection was not available to “regular” marks. The preamble of the Regulation (EC) No 207/2009 indicated that the indication of origin is the main function of trademarks which is aimed to be protected. However, the preamble did not specify which other functions are protected. The case law of the CJEU however confirms that each trade mark, whether eligible for additional protection extending to dissimilar goods or not is performing not only the function of indicating origin but also advertising and

⁶² HORTON, A. The implications of L’Oreal v Bellure - a retrospective and a looking forward: the essential functions of a trade mark and when is an advantage unfair? *European Intellectual Property Review*. 2011, No 33(9).

investment functions. Early rulings like *Adidas* did provide a clue on the possible full scope of protection under confusion provisions, however, it was not until the *Interflora* judgement that the true analysis of advertising and investment functions for all types of trade marks was revealed. In *Interflora* the court concluded that Article 9 (1) (a) of the Regulation can be applied in cases where use of the sign “interferes with the proprietor’s use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty”, such actions of “the third party’s use must be regarded as adversely affecting the trade mark’s investment function.”⁶³

Similarly in *L’Oreal/Bellure* the CJEU confirmed that it is for the referring national court to decide whether use of trade marks in reference lists can negatively affect trade marks investment and advertising functions within the scope of Article 10 (2) (a).⁶⁴

As a result of the expanded interpretation of trade mark functions under non confusion protection, the question of added value for securing these functions by a separate more extensive protection for reputed marks remains unanswered.⁶⁵

⁶³ Court of Justice of European Union. *Decision of 22 September 2011 in case C-323/09 Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*

⁶⁴ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, para. 65.

⁶⁵ The importance of the advertising function for all the trade marks is also evident in the WIPO report of 2013. The report clearly attributes an advertising and image supporting function to all trade marks. Furthermore, the report raises an interesting point by revealing that brand reputation is not the same as trademark reputation and that the former plays a primary role in persuasive advertising and image support for the company’s products. Such observation raises a valid point of a real difference between the protection of company names as opposed to the trade mark rights. As a result, advertising function of the reputed marks

Securing the ‘exclusivity’ feeling of consumers. It must also be noted that the argument of protecting the feeling and experience of the consumer is primarily relevant for the rationale behind tarnishment (or detriment to repute under EU law terms). Again endorsement of the value related to consumers experiences and the necessity to protect it fails to explain the reasons for protecting trade mark proprietors against free riding and could only partly be applicable to blurring (if the desire of consumers to acquire a trade mark which is exclusive and not used on any other products would be understood as constituting part of consumers’ positive feelings). Also, it could be maintained that the exclusivity protection and the luxury experience related to it is more plausible in the case of truly famous marks. Marks which enjoy niche fame and are regarded as highly valuable by for example dentists will less likely attract the attention of producers of dissimilar goods (e.g. food) and be used in a tarnishing manner. The reason for this is the very limited overlap between the consumers of both goods.

Reducing enforcement costs. The application of this theory under the EU law provisions seems to be very complicated following the recent CJEU practice. On the one hand, in *L’ Oreal/Bellure* the court admitted that almost any advantage gained from the use of the earlier mark could be considered unfair, thereby lessening the complexity of the evidence required to prove the unfair advantage and enforce the legal protection. It must be noted that the court was highly criticised for such a wide interpretation of the concept of unfair advantage, in spite of the clarity brought

is not only difficult to distinguish from the identical protection in confusion based cases but also from the rights awarded to company names.

See World Intellectual Property Organization. *World Intellectual Property Report. Brands- Reputation and Image in the Global Marketplace 2013*, pg. 26-77 [Interactive. Checked on 15 August 2015]. Available at: <http://www.wipo.int/edocs/pubdocs/en/intproperty/944/wipo_pub_944_2013.pdf>.

by the decision.⁶⁶ On the other hand, the introduction of the requirement to prove “a change in economic behaviour” in *Intel* caused major discussions between trade mark law practitioners and academics. Some of the authors even claim that most of the cases arguing the need for detriment to distinctive character since *Intel* were lost due to a failure to prove “a change in economic behaviour”, the main reason for the failure being the unclear requirements and evidence needed in order to prove it.⁶⁷ Such developments within the EU most likely could not be considered as compliant with the requirements of the optimal enforcement cost theory.⁶⁸

⁶⁶ For example, Lord Justice Jacob referring for the preliminary decision concluded that following the *L’Oreal/Bellure* decision, the concept of unfair advantage has lost its meaning because any advantage is considered unfair.

⁶⁷ E.g. Ilanah Simon Fhima commenting on the requirement to prove change in economic behaviour states that “on a practical level, there is tremendous difficulty in finding evidence that the harm has taken place, and in attributing it to any specific junior use. This may explain why the CJEU took such a cautious approach to the standard required, and also explains why the change in economic behaviour requirement has had a devastating effect on subsequent European blurring actions.” For the discussion on the requirement of ‘change of economic behaviour’, please refer to chapter II.

FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 15.

However, some commentators, such as Charles Gielen disagree with such interpretation of the requirement to prove “a change in economic behavior” and claim that bringing to mind i.e. creation of the link is in itself prove of such change. In the opinion of the author, the disagreement of the positions only proves uncertainty regarding application of provisions against detriment to distinctive character. GIELEN, C. Trademark Dilution in the European Union, in BERESKIN, D. R. (Ed.) *International Trademark Dilution*. Q.C., Westlaw, 2013, pg. 232-234.

⁶⁸ Lastly, it can be mentioned that various authors, especially in the US, do analyse anti-dilution laws in the context of moral rights or the right to publicity and try to justify dilution protection by neighbouring its essence and functions with copyright law. However, as this line of argumentation is more relevant the US system it will not be scrutinized further.

It can be concluded that none of the theories supporting the protection for trade marks beyond the principle of specialty provides a clear justification for the scope of protection of reputed marks in EU law.

2.3 Concluding remarks

The economical, psychological and sociological arguments invoked to justify the adoption of Article 6 bis of the Paris Convention and Article 16 (3) of the TRIPS Agreement illustrate the shift in trade mark law functions on the international level. Although the change in scope of trade mark functions is undisputed and is supported by the historical developments in trade, the exact scope of these new functions and rationale invoked for justifying their protection is far from clear. It was analysed that the term ‘reputation’ within the EU law is not entirely clear as well; furthermore the meaning of the term varies in different linguistic versions of the relevant provisions.⁶⁹ Recently, the European Commission expressed its concerns about the

For the discussion on possible similarities and differences of antidilution laws and copyright laws, see RIERSON, S. L. The myth and reality of dilution. *Duke Law & Technology Review*. 2012, October, pg. 212-300.

⁶⁹ The uncertainty about the difference of terms is also found in the CJEU jurisprudence. In *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.* C-292/00, the CJEU was asked for a preliminary ruling on Articles 4 (4) (a) and 5 (2) of the Directive 89/104/EEC. However, the notions of “reputation” and “well-known marks” were used interchangeably. This confusion is noted in literature, see, for example, PHILLIPS, J. *Trade mark law: a practical anatomy*. Oxford: Oxford University press, 2003, ln. 11.92.

A significance of the confusion about the terminology in the field of reputed trade marks was revealed in the recent decisions of the CJEU. In *Intel* the court and advocate general Sharpston refer to “dilution” and “tarnishment”. The same terms were used by the Office in decisions based on Article 8 (5) of the Regulation (e.g. European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*).

unclear nature and scope of trade marks functions which are protected by Article 9 (2) (c) of the Regulation confirming the lack of clarity on the issue.⁷⁰

This chapter overviewed the most common justifications for supporting protection of trade marks beyond the principle of specialty. On their own these arguments fail to provide a rationale for the wording of the provisions selected by EU legislators or limitations of the protection preferred by them.⁷¹

The analysis within this chapter showed that the main instruments required for such evaluation – exact scope, rationale and aim of the protection – are not clear. As a

⁷⁰ The written observations of the Commission in the reference to the CJEU in *Interflora v Marks & Spencer*, which are not publicly available but were referred to in the judgment of Arnold J. of the English High Court in that case on April 29, 2010, expressed concern that the existing jurisprudence of the CJEU, including specifically *L'Oréal/Bellure* “might not have defined the precise scope of the exclusive rights of trade mark proprietors with the required degree of clarity” and suggested that the CJEU should take the opportunity presented by the reference to clarify these issues, including reconsidering its judgment in *L'Oréal/Bellure*.

HORTON, A. The implications of *L'Oreal v Bellure* - a retrospective and a looking forward: the essential functions of a trade mark and when is an advantage unfair? *European Intellectual Property Review*. 2011, No 33(9), pg. 553.

⁷¹ It must be noted that the concept of ‘reputation’ must be separated from others terms used by national legislators around the world to implement Article 16 (3) of the TRIPS Agreement, for example, from the US term ‘famous mark’. Although the terms of dilution and tarnishment used in US law correspond with the European protection against detriment to distinctive character and detriment to repute, judicial interpretation of both types of protection in the two jurisdictions are far from identical. For example, the US law requires the mark to be known for the public at large in order for it to enjoy the protection against blurring. Similarly, requirements of actual or potential harm to the mark differ substantially from the European point of view. See, for example, LUEPKE, M. H. H. Taking unfair advantage or diluting a famous mark – 20/20 perspective on the blurred differences between U.S. and the E.U. dilution law. *Trademark Reporter*. 2008, No (98) (789), pg. 14-21.

For more on the differences between the EU and American law on the matter see, for example, FHIMA, I.S. Dilutive trade mark applications: trading on reputations or just playing games? *European Intellectual Property Review*. 2004, No 26 (2), pg. 67-74.

result, in order to evaluate the effectiveness of protection, this research will further analyse the requirements for the application of provisions on reputed marks set by the CJEU and Office and the way that these are applied in the selected jurisdictions.

3 Chapter II –application of the protection by the EU institutions

3.1 Introduction

The previous chapter on the history and rationale of protection for reputed marks revealed that the choice of the particular wording, and the requirements set out in the Regulation and the Directive for the application of such protection cannot be fully explained. As a result, the exact aims and purposes that were intended to be protected by Article 5 (3) (a) and 10 (2) (c) of the Directive and corresponding provisions of the Regulation are still unclear.⁷²

The purpose of this chapter is to analyse the application of each requirement of Article 5 (3) (a) and 10 (2) (c) of the Directive and 8 (5) and (9) (2) (c) of the Regulation. The chapter will discuss the practice of the Office, GC and the CJEU and will provide an analysis of the elements which are necessary to prove the existence of infringements set out in the Regulation and the Directive. The aim of such analysis is to clarify the practice in applying the requirements of the said provisions by the EU institutions. Such clarification will enable an analysis of the effectiveness and practicability of the protection of reputed marks

Since the wording of Articles 8 (5) and 9 (2) (c) of the Regulation is almost identical, the practices of the Office in cancellation and opposition proceedings, GC,

⁷² EU provisions on reputed marks are established in the Directive and Regulation. For legislative changes of 2015 and their implications to the terminology and numbering of provisions referred to in this theses, please see footnote No. 1.

and the CJEU practice in appeal cases can be researched together. Furthermore, since the CJEU and later the GC have interpreted the provisions of the Regulation by applying precedence of preliminary rulings based on the Directive, and due to the almost identical wording of the two legal instruments, the elements for application of the Directive and the Regulation will be discussed together.

It must be noted that some elements of the respective EU legal provisions, especially those interpreted by the CJEU in earlier years, have been quite extensively analysed by legal scholars and commentators. For this reason, the present chapter of the research will concentrate on specific points of discussion regarding each element and will only provide a short introduction to the previous case law and doctrine where it is felt to be necessary.

It is noted that this part of the research does not aim at discussing how the respective provisions of the Regulation and the Directive are applied by trade mark registries and national courts and deals exclusively with the practice of the Office, the GC and the CJEU

3.2 Application of separate elements of EU provisions

3.2.1 Reputation

Neither the provisions of the Directive nor the text of the Regulation provide a definition of the notion of “marks with reputation”, “renommée” (in French), “bekannte” (in German), “bekend” (in Dutch) marks, “ženklaai, turintys reputacija” (in Lithuanian). It was noted in the previous chapter that the concept of reputation was not clarified by the preparatory work on the EU legal acts and remained a topic for discussions. These discussions were especially important in light of the differences in language used between the legal acts transposing the Directive into legislation of the different EU Member States, in particular, the difference between the concept in English and versions of the Directive based on the translation from English (like Lithuanian) on the one hand and versions emphasising the knowledge

of the mark (like French or Dutch) on the other hand. As a result of the vacuum of possible explanations for the requirements of establishing reputation in the positive law, the guidance had to be, sooner or later, provided by the CJEU.

Bearing in mind the uncertainties regarding the concept of “reputation” expressed in the previous chapter, it seems inevitable that the CJEU, when first faced with an opportunity to provide its opinion on the matter, would have to answer several questions. Firstly, does the term “reputation” impose a requirement of quality of products marked by the particular sign (which could be inferred from the English version of the term) or rather signify a knowledge threshold among the public (which could be understood from the direct meaning of the versions in most of other languages). Secondly, if the term “reputation” is not qualitative but rather quantitative, what part of the public must know the trade mark? Thirdly, consumers of which product – the earlier or the senior mark – must be considered relevant for evaluating the degree of knowledge and in which territory. Further, which evidence should be regarded as relevant for such findings and finally, how can the different terms in various languages used in the relevant provision of the Directive be explained and reconciled.

In 1997 the CJEU was faced with a request for a preliminary ruling by the Tribunal de Commerce de Tournai, Belgium, in the case *General Motors Corporation v. Yplon SA* concerning the questions raised above.

Advocate General Jacobs in his opinion supported the rather unusual position that Article 16 (3) of the TRIPS Agreement was applicable to unregistered well-known marks and thus such protection should be regarded as exceptional, whereas Article 10 (2) (c) of the Directive should not require such strict requirements for its

application.⁷³ Regarding the other questions listed above, Jacobs' opinion very remotely stated that the relevant public should be defined by the national court and that "the courts should for a realistic assessment of reputation use a variety of criteria which might include, for example, the degree of knowledge or recognition of the mark in the relevant sectors of the public; the duration, extent and geographical area of use of the mark; and the scale and scope of investment in promoting the mark."⁷⁴ Regarding the issue of the qualitative and quantitative aspects of knowledge, the Advocate General although avoiding a direct opinion, noted the following:

"Whether a mark with a reputation is a quantitative or qualitative concept, or both, it is possible to conclude in my view that, although the concept of a well-known mark is itself not clearly defined, a mark with a 'reputation' need not be as well-known as a well-known mark."⁷⁵

⁷³ In para. 33-34 Jacobs states:

"That view is supported by at least some language versions of the Directive. In the German text, for example, the marks referred to in Article 6 bis of the Paris Convention are described as 'notorisch bekannt', whereas the marks referred to in Article 5 (3) (a) and Article 10 (2) (c) are described simply as 'bekannt'. The two terms in Dutch are similarly 'algemeen bekend' and 'bekend' respectively."

Opinion of Advocate General Jacobs in *General Motors Corporation v Yplon SA*, delivered on 26 November 1998.

⁷⁴ Opinion of Advocate General Jacobs in *General Motors Corporation v Yplon SA*, delivered on 26 November 1998, para. 41.

⁷⁵ Opinion of Advocate General Jacobs in *General Motors Corporation v Yplon SA*, delivered on 26 November 1998, para. 37

It is interesting to note that in the preceding paragraph Jacobs does admit the possible ambiguity of the English notion "reputation", however, confines himself to the short diversion of the comparison with well-known marks as seen from the quotation above.

The CJEU did not seem eager to deepen its analysis of the linguistic peculiarities of different versions of the Directive either.⁷⁶ Although the Court did reach the same conclusion regarding the quantitative requirement of knowledge, the Court felt that the English term “reputation” suggested threshold of knowledge and not a possible quality assurance⁷⁷:

“The German, Dutch and Swedish versions use words signifying that the trade mark must be ‘known’ without indicating the extent of knowledge required, whereas the other language versions use the term ‘reputation’ or expressions implying, like that term, at a quantitative level, a certain degree of knowledge amongst the public. This

It must be noted that even though formally the reputation requirement is satisfied by the knowledge threshold, the qualitative aspect of reputation remains nevertheless an important consideration in the case law and opposition proceedings. For example, The manual concerning proceedings before the office for harmonization in the internal market (trade marks and designs), provides that qualitative aspects thereof are relevant when assessing the possibility of detriment or unfair advantage.

The Office for Harmonization in the Internal Market. *The manual concerning proceedings before the office for harmonization in the internal market (trade marks and designs), Part C*, [interactive. Checked on 29 December 2013]. Available at <<http://oami.europa.eu/en/mark/marque/pdf/guidelines-oppo-fv.pdf>>.

⁷⁶ Although the court did not provide a detailed explanation for purely quantitative criteria, confusion surrounding this issue on the part of participants in proceedings before the court can be found in later decisions. For example, Court of Justice of European Union. *Decision of 12 December 2008 in case C-197/07 P. Aktieselskabet af 21. November 2001 v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para 19.

⁷⁷ As the practice of Office illustrates, the uncertainties on the meaning of repute and reputation are still raised even after *General Motors* case. The Office has, for example in *Hollywood SAS v. Souza Cruz*, has explained that the fact that consumer of chewing gum know of the existence of HOLLYWOOD chewing gum testifies to its reputation. The fact that they associate HOLLYWOOD chewing gum with a healthy lifestyle testifies to its repute.

European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*, para. 61.

nuance, which does not entail any real contradiction, is due to the greater neutrality of the terms used in the German, Dutch and Swedish versions. Despite that nuance, it cannot be denied that, in the context of a uniform interpretation of European Union law, a knowledge threshold requirement emerges from a comparison of all the language versions of the Directive.”⁷⁸

However, the biggest surprise of the *General Motors* case is the absence of any clarification regarding the choice of the “niche fame”.⁷⁹ It can be assumed that the Court followed the line of argument proposed by the Advocate General and concurred with the view that Article 10 (2) (c) of the Directive imposes less stringent requirements than the protection foreseen for well-known marks. However, it is unfortunate that no further argumentation on this issue was presented specially taking into consideration the suggestion of AG Jacobs that the trade mark at issue should be known by consumers of both marks (the senior and the earlier mark).⁸⁰

Lastly, the guideline of the CJEU mandating the mark to be known by a significant part of the relevant public concerned in the significant part of the member state of

⁷⁸ Court of Justice of European Union. *Decision of 19 September 1999 in case C-375/97 General Motors Corporation v Yplon SA*, para. 21-22.

⁷⁹ “Niche fame” is a concept used by legal scholars to describe the legal requirement for the trade mark to be known by the consumers (or the public) for which the products marked by the sign at issue are aimed, as opposed to the requirement for the mark to be known by the general consuming public.

⁸⁰ This is especially so if one remembers the discussion on the history and economic rationale for the protection of Article 16 (3) of the TRIPS Agreement. As was discussed in the previous chapter, an important number of scholars support the opinion that provisions regarding the protection of reputed marks can be considered reflecting the principles of Article 16 (3) of the TRIPS Agreement, the application of which implies more stringent requirements as compared to Article 6 bis of the Paris Convention. For the discussion, see chapter I.

territory (as in case of the Benelux) hardly could have been interpreted otherwise and for the purpose of the present research requires no deeper discussion.

In 2009, the CJEU pronounced its decision in case *Pago International GmbH v Tirolmilch registrierte Genossenschaft mbH*. Similarly to the *General Motors* case, the court was faced with a reference for the preliminary ruling regarding the territorial scope of the protection required for the application of EU law. However, contrary to the previous case, this time the question before the court related to the meaning of “reputation in the European Union” as set out in Article 8 (5) and 9 (2) (c) of the Regulation. The main question put forward by the Austrian Supreme court was whether the European Union trade mark can be protected in the whole European Union as a “trade mark with a reputation” for the purposes of Article 9 (2) (c) of the Regulation if it has a “reputation” only in one Member State.

Advocate General Sharpston disagreed with the formulation of the question for the preliminary ruling in the first place. She noted that the unitary character of the European Union trade mark as it is regulated by the Regulation and implementing legal acts should not enable the national courts to consider the sufficiency of a trade mark’s reputation in terms of particular member states. Instead, she suggested that “the starting point must be to consider the territory of the European Union regardless of frontiers, as a single and indivisible whole.”⁸¹

As a result, it was suggested that “the national court must then determine whether the trade mark has a reputation ‘in the European Union’”.⁸² It should begin by accepting that the trade mark proprietor need not demonstrate that the trade mark

⁸¹ Opinion of Advocate General Sharpston in *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*., delivered on 30 April 2009, para. 29.

⁸² Opinion of Advocate General Sharpston in *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*., delivered on 30 April 2009, para. 29.

has a reputation throughout the European Union. It is sufficient, for Article 9 (2) (c) to apply, if the trade mark has a reputation in a ‘substantial part’ of the European Union.⁸³

Though the position of the Advocate General seems to be most coherent with the unitary character of the European Union trade mark, the CJEU, although in principle agreeing with Sharpston, chose a more pragmatic approach and concluded that:

“Article 9 (1) (c) of Regulation No 40/94 on the European Union trade mark must be interpreted as meaning that, in order to benefit from the protection afforded in that provision, a European Union trade mark must be known by a significant part of the public concerned by the products or services covered by that trade mark, in a substantial part of the territory of the European Union, and that, according to the facts of the particular case, the territory of the Member State in question may be considered to constitute a substantial part of the territory of the European Union.”⁸⁴

In the later *Unilever* decision, the court reiterated the same approach as regards the application of Article 5 (3) (a) of the Directive and concluded that ‘if the reputation of an earlier Community mark is established in a substantial part of the territory of the European Union, which may, in some circumstances, coincide with the territory of a single Member State, which does not have to be the State in which the application for the later national mark was filed, it must be held that that mark has a reputation in the European Union.’⁸⁵

⁸³ Opinion of Advocate General Sharpston in *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH.*, delivered on 30 April 2009, para. 31.

⁸⁴ Court of Justice of European Union. *Decision of 6 October 2009 in case C-301/07 PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH.*, para. 30.

⁸⁵ Court of Justice of European Union. *Decision of 3 September 2015 in case C-125/14 Iron and Smith kft. v. Unilever NV.*, para. 25.

This position of the Court triggered debates. On the one hand supporters of the ruling claimed that in the event of the contrary interpretation large business would have been forced to maintain national and European Union trade mark registrations in countries in which their trade mark do not have a reputation; small business would have been forced to maintain dual registrations (if they had plans to expand). Scholars also argued that such interpretation ensured equal protection for national and European Union trade marks and was compatible with previous case law since confusion in one member state was already found to be sufficient to trigger the application of Article 8 (1) (b) and the same territorial application was ensured for Article 8 (5).⁸⁶ On the other hand, it can be claimed that as a consequence of such interpretation the search costs for applicants of trade marks would increase and furthermore such application of the Regulation is unfair and enables local trade mark owners to thwart the expansion of the European Union trade mark law system. Furthermore, commentators also feared that a prohibition to sell goods in member states in which European Union trade mark is not reputed would be disproportionate.⁸⁷

However, looking at the *Pago* decision after the CJEU has provided its position in *Intel* and *L'Oréal* another question on the correctness and practical applicability of *Pago* comes to mind. Already in *General Motors*, the AG Jacobs noted that

⁸⁶ For the discussion on the *Pago* ruling, see, for example YAMPOLSKA, O. *Territorial scope of acquired distinctiveness, reputation and genuine use in the community trade mark regulation-is there a coherent approach?* LLM thesis Munich intellectual property law centre, 2011.

⁸⁷ FOLLIARD-MONGUIRAL, A. and ROGERS, D. Significant 2009 case law on the European Union Trade Mark from the Court of Justice of the European Union and the General Court. *Journal of Intellectual Property Law and Practice*. 2010, No (306), pg. 324.

protection must be evaluated taking into consideration all of its elements in order to ensure that unduly extensive protection is not provided for reputed marks.⁸⁸

Thus it is clear that the establishment of reputation is only necessary when it is justifiable and necessary. The real problem regarding the applicability of the *Pago* rule in practise can only be revealed in the conjunction with *Intel* and *L'Oreal* cases. Both of these cases will be discussed later, however, one aspect of them cannot be missed in the present discussion. In the *Intel* case, the CJEU noted that a minor link between the marks was not sufficient for the application of the Regulation, the applicant had to establish evidence of a change in economic behaviour of consumers. Although there are still open discussions on the meaning of this requirement, one question is very clear – whatever the meaning of “change in economic behaviour” is or might be, how is it possible for the trade mark to suffer any damage if the reputation enjoyed by the first mark does not extend to the territory of use of the second mark? Even hypothetically, such damage (changed behaviour of the consumers) is not possible in a *Pago* type situation where the European Union trade mark enjoys reputation in one member state and is invoked to preclude registration or use of the later European Union or national trade marks in another state. Since reputation of the mark does not spread beyond the country of use, its use in another country should not be able to damage the senior mark.

The same argument is valid in the light of *L'Oreal/Bellure* case. In this case, the CJEU concluded that “advantage arising from the use by a third party of a sign similar to a mark with a reputation is an advantage taken unfairly by that third party of the distinctive character or the repute of that mark where that party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from

⁸⁸ Opinion of Advocate General Jacobs in *General Motors Corporation v Yplon SA*, delivered on 26 November 1998, para. 42.

the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.”⁸⁹

The question remains the same as in the case of proving detriment to the distinctive character discussed in *Intel*. How can a proprietor of the later sign seek and more importantly gain advantage, of the earlier reputed mark if the territories of use by both marks do not overlap?⁹⁰

In the later *Unilever* decision, the Budapest Municipal court requested the CJEU to clarify exactly these considerations.⁹¹

Answer of the CJEU did not clarify practical applicability of the relevant provisions, because the court in essence required the European Union trade mark holder to show injury or serious risk of an injury in the member state in which the application for

⁸⁹ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, para 50.

⁹⁰ For example, S. Maniatis and D. Bodis state that :

“First, the view that reputation of the European Union trade mark may be protected also in territories where that mark is not actually reputed, does not sit comfortably within the context of art. 4 (4) of the Directive. According to that interpretation, that provision would effectively allow the protection of reputed European Union Trade Marks to prevent the registration of national mark by way of a legal “fiction”, namely that the European Union Trade Mark invoked as a basis of the opposition is “assumed” to be reputed in the Member State at issue, even if this is not the case in practice. However, even if in those cases the condition of reputation is presumed to be fulfilled, it is doubtful whether that “fictions” reputation can ever be harmed by the use of the later mark.”

MANIATIS, S. and BODIS, D. (2nd ed.). *Trade marks in Europe: a practical jurisprudence*. London: Sweet and Maxwell, 2009, pg. 442.

⁹¹ Court of Justice of European Union. *Decision of 3 September 2015 in case C-125/14 Iron and Smith kft. v. Unilever NV.*, para. 14.

the national trade mark is lodged and in which the EU trade mark does not have a reputation.⁹² The meaning of the requirement to ‘shown that a commercially significant part of that public is familiar with that mark’ in the member state concerned and additionally to prove the injury or serious risk of it appearing raises the question of practical applicability of protection in members in which the mark is not reputed. Whether such interpretation is compatible with the unitary spirit of the European Union trade mark is highly debated.

The next important step in understanding the requirements imposed by the CJEU for the trade mark proprietors is to address the practical application of the criterion of reputation by the Office. First of all it must be noted that the primary list of criteria which should be taken into consideration when establishing reputation was provided already in the *General Motors* decision and was not substantially amended ever since and has guided the Office decisions. The CJEU in this case concluded that:

“In order to satisfy the requirement relating to reputation, a registered trade mark must be known by a significant part of the public concerned by the products or services which it covers. In examining whether this condition is fulfilled, the national court must take into consideration all the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.”⁹³

In opposition proceedings before the Office, opponents have invoked a variety of evidence proving reputation following the guidelines quoted above. This evidence

⁹² Court of Justice of European Union. *Decision of 3 September 2015 in case C-125/14 Iron and Smith kft. v. Unilever NV.*, para. 14.

⁹³ Court of Justice of European Union. *Decision of 19 September 1999 in case C-375/97 General Motors Corporation v Yplon SA*, para. 27.

encompasses public surveys, evidence of the market share, sale volume, records of successful instances of invoking trade mark rights, evidence of expenditure for trade mark promotion, specimen of media coverage of the mark, statements of companies' finances audits etc. Since the detailed requirements for each piece of evidence are discussed in the Manual prepared by the Office and have been debated in a number of articles and books, the present research will not concentrate on the evidential requirements of proving reputation.⁹⁴

The practice of the Office has provided a large amount of decisions based on Article 8 (5) of the Regulation. The overview of the case law, and specifically the analysis of the cases dealt with after the *Intel* and *L'Oreal* rulings reveal several tendencies of the Office's position on the question of reputation.

Firstly, due to the large scope of the protection under Article 8 (5), the threshold of knowledge required is set rather high. Although neither the Office, nor the EUCJ has set a minimum threshold requirement to satisfy the requirement of reputation, in practice the Office requires a combination of evidence which beyond doubt shows a high threshold of knowledge of the mark. In cases where opponents submit survey results, the Office has provided a rather strict test for the evaluation of their admissibility and acceptability. As it is also explained in the Manual, only surveys conducted by the reliable sources, invoking correct and non-leading answers which are revealed to the Office are taken into consideration. Furthermore, the knowledge

⁹⁴ The manual concerning proceedings before the Office provides a detailed list of evidence accepted by the Office in opposition proceedings and the most commonly deficiencies of evidence provided by the parties to proceedings.

The Office for Harmonization in the Internal Market. *The manual concerning proceedings before the office for harmonization in the internal market (trade marks and designs), Part C*, [interactive. Checked on 29 December 2013]. Available at: <<http://oami.europa.eu/en/mark/marque/pdf/guidelines-oppo-fv.pdf>>.

threshold concluded to be persuasive in proving reputation is rather high. For example, in Duplo decision the Opposition division concluded that the mark satisfied the requirements of Article 8 (5) because the survey has shown that 73, 5% of the persons interviewed were aware that the word “duplo” is connected to chocolate products and 70 % of those people knew that “duplo” signified a company.⁹⁵

Similarly in Humana decision, the Office held that awareness of products among the public varied between 93%, 73% and 61%, and for this reason found the objections against reputation to be unfounded.⁹⁶

The practice of the Office reveals that in most cases one type of evidence (e.g. evidence regarding promotional expenditure, media coverage, sales turnover etc.) will not be deemed sufficient to establish reputation. A combination of different kind of evidence illustrating market share, knowledge threshold, promotional activities and similar factors which clearly reveal dates of evidence, products to which they are related and the territories covered need to be submitted before the Office for the successful application of Article 8 (5). In some cases, the Office treats evidence of use as admissible evidence to proof reputation, thereby focusing on both – evidence of sale volumes and the level of consumer knowledge aspects of the opposition.⁹⁷

Second, due to the uncertainties of proving detriment or unfair advantage discussed above in cases where the senior mark is not reputed in the territory of intended use

⁹⁵ European Union Intellectual Property Office. *Decision of 5 June 2000 in opposition No R 802/1999-1 – DUPLO (FIG. MARK) / DUPLO (FIG. MARK)*, pg. 6.

⁹⁶ European Union Intellectual Property Office. *Decision of 11 June 2009 in opposition No R 1190/2008-1 – HUMANA / HUMANA*, para. 64.

⁹⁷ European Union Intellectual Property Office. *Decision of 22 May 2013 in opposition No R 333/2012-2 – KENZO ESTATE / KENZO*, para. 34.

by the junior mark, the relevant public element is interpreted as widely as possible. As a result, where the nature of goods at least in some way can be interpreted as aimed at the public at large, this conclusion is supported by the Office. For example, in the Nasdaq decision the Board of Appeals stated that:

“In any case, the reputation of the mark ‘NASDAQ’ for the relevant services is not confined to the financial world. As indicated by the large number of press articles in all kinds of newspapers, not only financial ones, the general public is familiar with this mark. Furthermore, there are a very large number of people in the European Union who own shares and trade them through the stock exchange. All these people, who are a relevant sub-sector of the general public, have an even larger degree of awareness of the ‘NASDAQ’ index and of the ‘NASDAQ’ relevant services, since they pay special attention to the financial news and the evolution of the most relevant financial indexes, as any move of such indexes has a direct impact on their patrimony.”⁹⁸

The above quoted decision which was supported by the GC and the CJEU clearly shows an intention to expand the notion of the relevant public as far as possible. In the case of goods or services which although are used by everyone, but are closely related to the professional activities of one or other profession, such approach is less controversial.⁹⁹ However, in case of the financial services index, the definition of the relevant public as provided by the Office could be scrutinized.

⁹⁸ European Union Intellectual Property Office. *Decision of 7 December 2005 in opposition No R 752/2004-2 – NASDAQ (FIG. MARK) / NASDAQ*, para. 28.

⁹⁹ For example, in the Royal Shakespeare decision, the General Court affirmed the finding of the Office and stated that theatre productions are aimed at the general consuming public.

A similar position is supported with regards to medical preparations and the consumption of beauty products which involve professional advice or assistance. In such cases it is concluded that average consumer encompasses the general public as well as medical professionals.¹⁰⁰

It seems that the definition of “relevant public” is interpreted by the Office in a narrow manner, for example by limiting this to members of the particular profession, only in cases where goods or services have no direct contact with the end consumer.¹⁰¹ Lastly, it must be observed that instances of successful reliance on Article 8 (5) before the proceedings in the Office are mainly based on goods for everyday use or on goods which were found by the Office to be aimed at public at large.

As a result, it can be concluded that the Office in practice limits reliability on Article 8 (5) to cases involving truly famous marks (this objective is reached by expanding the notion of relative consuming public of the earlier mark and requiring a rather high knowledge threshold).

3.2.2 Establishing a link between the mark and the sign

Article 5 (3) (a) of the Directive and Article 8 (5) of the Regulation provide that a trade mark shall not be registered or, if registered, shall be liable to be declared

General Court. *Decision of 6 July 2012 in case T-60/10 Jackson International Trading Co. Kurt D. Brühl GmbH & Co. KG v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 35.

¹⁰⁰ European Union Intellectual Property Office. *Decision of 20 May 2010 in opposition No R 0946/2009-1 – VIAGUARA / VIAGRA*, point 34. This position was later supported by the General Court. *Decision of 25 January 2012 in case T-332/10. Viaguara S.A. v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*.

¹⁰¹ Examples of such cases include construction machinery (European Union Intellectual Property Office. *Decision of 7 September 2010 in opposition No R 270/2010-1 – ERKAT / CAT et al.*).

invalid where *‘it is identical with, or similar to, an earlier trade mark irrespective of whether the goods or services for which it is applied or registered are identical with, similar to or not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Member State in respect of which registration is applied for or in which the trade mark is registered or, in the case of an EU trade mark, has a reputation in the Union and the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark’*.

It must be noted that earlier and later signs must be identical or similar for the purpose of the application of Article 5 (1) of the Directive and corresponding provisions of the Regulation as well.¹⁰² In a case of “double identity” as established in Article 5 (1) (a) of the Directive, confusion is presumed and in case of Article 5 (1) (b) similarity between the marks and goods must create confusion among the relevant public in order to be applicable. Establishment of confusion requires proof of two types of similarity – firstly, between the signs, secondly, between the goods or services they are used for. Due to the identical notions of similarity used in Article 5 (1) and 5 (3) (a) the CJEU was left with the obligation to interpret

¹⁰² Article 4 (1) of the Directive establishes:

“A trade mark shall not be registered or, if registered, shall be liable to be declared invalid where:

- (a) it is identical with an earlier trade mark, and the goods or services for which the trade mark is applied for or is registered are identical with the goods or services for which the earlier trade mark is protected;
- (b) because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association with the earlier trade mark.”

meanings of the same notion in the said Articles and to identify, if necessary, their differences.

Regarding the first similarity – similarity between the marks, as in the case of the notion of “reputation”, due to the absence of guidance on this issue in the legislative acts, the CJEU had to provide an explanation of the requirement for “similarity” established in Article 5 (3) (a) of the Directive. In *Adidas*, the CJEU concluded that it is not necessary to find such a degree of similarity between the mark with a reputation and the sign that there exists a likelihood of confusion. The sufficient similarity can be found if the relevant section of the public establishes a link between the sign and the mark.¹⁰³

Following the interpretation of the court, circumstances which must be taken into consideration in order to establish this link can be inferred from the test applied in cases of the establishment of confusing similarity. The Manual states that “the use of the same term in both provisions (Article 8 (1) (b) and Article 8 (5), added) is an argument in favour of the need to interpret this term in the same way and the case-law has confirmed this.” As a result, the complexity of the visual, oral and conceptual similarity criteria must be evaluated for the application of Article 8 (5) using the same methods as in case of applying the test of confusing similarity.¹⁰⁴

¹⁰³ Court of Justice of European Union. *Decision of 23 October 2003 in case C-408/01 Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.*, para. 31.

¹⁰⁴ The Office states that as a consequence of the absence or establishment of similarity between the marks, several situations might occur:

Article 8 (1) (b) CTMR fails because the signs are *dissimilar* – Article 8 (5) CTMR fails too, since the same conclusion applies.

However, although the suggestion by the CJEU and the Office to judge the similarity of mark applying the same evaluation criteria as in case of confusion protection does seem attractive, the introduction of notion of a link has revealed a number of questions.

Firstly, it must be noted that in case of evaluating sufficiency of similarity between the marks for the purpose of applying Article 8 (1) of the Regulation, the ultimate test is rather clear – actual or potential consumer confusion. Therefore, the relevant provision requires proof of two sets of circumstances – similarity/identity of signs and the confusion that this similarity/identity could bring about. The infringement of a mark, in case of the provisions on reputed marks can be read not to be incurred by the similarity of mark but rather by the use or registration of the later sign. Due to such a different wording of the provisions, the question was left open as to whether the new notion of a link – following the line of argumentation based on confusion cases – should be considered as an ultimate precondition for causing

Likelihood of confusion pursuant to Article 8 (1) (b) CTMR is excluded (e.g. because the goods or services are dissimilar or very remotely similar), but the signs are similar – the examination of Article 8 (5) CTMR must be carried out.

The similarity of the signs, together with the other relevant factors, justifies a *finding* of likelihood of confusion pursuant to Article 8 (1) (b) CTMR, but the similarity between the signs might not be sufficient to establish a link between them under Article 8 (5) CTMR, in view of the other relevant factors to be taken into account.

The similarity of the signs together with the other relevant factors justifies the *exclusion* of likelihood of confusion pursuant to Article 8 (1) (b) CTMR, but the similarity between the signs might be sufficient to establish a *link* between them under Article 8 (5) CTMR, in view of the other relevant factors to be taken into account.

injury specified in Article 8 (5) or should be considered as an intermediary element for proving one of the injuries of a reputed mark.¹⁰⁵

Secondly, in case of Article 8 (5) of the Regulation or 5 (3) (a) of the Directive, the provisions only require similarity (or identity, but this situation is less controversial) between the marks, the intensity of which is not specified, however, following the reasoning of the CJEU in *Adidas* it cannot be understood as being strong enough to constitute confusion. The question remained open as how similar the marks have to be in order to be able to trigger the protection for reputed marks.

Furthermore, the uncertainty was left open as to whether the establishment of a link had to be considered a normative or a legal standard. If judgment on the presence of a link was a legal issue and was not to be supported by survey or similar evidence, the question remained open as how to decide on existence of this element of the relevant provisions.

In 2009, the CJEU was faced with a request for a preliminary ruling in *Intel* in which it elaborated on the *Adidas* case as regards the element of a link and concluded that, relevant factors for judging whether the relevant public can establish a link between the two marks are the following:

- the degree of similarity between the conflicting marks;
- the nature of the goods or services for which the conflicting marks were registered, including the degree of closeness or dissimilarity between those goods or services, and the relevant section of the public;

¹⁰⁵ The question of where in the structure of the relevant EU provisions the requirement of a link can be fit was also raised by GA Sharpston in the *Intel* case. See Opinion of Advocate General Sharpston in *Intel Corporation Inc. v CPM United Kingdom Ltd.*, delivered on 26 June 2008, para. 41-45.

- the strength of the earlier mark’s reputation;
- the degree of the earlier mark’s distinctive character, whether inherent or acquired through use;
- the existence of the likelihood of confusion on the part of the public.¹⁰⁶

The court also concluded that identity between the marks does not necessarily imply that there is a link between them. Getting back to the first question outlined above, it became clear that similarity of marks and a link were not identical elements of Article 8 (5). The court ruled that similarity of marks was only one of the elements required to prove a link. The link was confirmed to be a separate factor of the relevant provisions. However, the exact relationship between the requirements of similarity and a link still had to be elaborated upon.

Such opportunity was presented before the CJEU in the *Ferrero* decision.¹⁰⁷ In this ruling the court clearly indicated that similarity of marks had to be separated from the establishment of a link and could not be evaluated by invoking other circumstance except the visual, aural and conceptual criteria.¹⁰⁸

After *Ferrero* it became clear that similarity of two marks must be evaluated in a same way as for applying Article 8 (1) and a factor of a link can only be considered separately after similarity of marks have been concluded to exist, thereby

¹⁰⁶ Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 42.

¹⁰⁷ Court of Justice of European Union. *Decision of 24 March 2011 in case C-552/09 P Ferrero SpA v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM)*.

¹⁰⁸ European Union Intellectual Property Office. *Decision of 26 July 2001 in opposition No R 552/2000-4 – COSMOPOLITAN/COSMOPOLITAN COSMETICS*, para. 58.

confirming that a link is separate element of Article 8 (5). The same conclusion was later confirmed by the court in the *Golden Balls* decision:

“It is only if there is some similarity, even faint, between the marks at issue that the General Court must carry out an overall assessment in order to ascertain whether, notwithstanding the low degree of similarity between them, there is, on account of the presence of other relevant factors such as the reputation or recognition enjoyed by the earlier mark, a likelihood of confusion or a link made between those marks by the relevant public.”¹⁰⁹

After the CJEU decisions in *Ferrero* and *Golden Balls* several conclusions on the link can be made. Firstly, the EU case law is still not clear how strongly the two marks must be similar for the similarity to be sufficient. Secondly, if a requirement of *Adidas* is to be followed the earlier must bring to mind the senior mark in order to establish a link. However, following the CJEU decisions this can only be evaluated if the marks are already concluded to be similar. Such approach of the court, although requiring thorough step by step analysis of the case introduced even more uncertainties in the field of protection of reputed marks.

One of them is related the answer to the third question posed after the *Adidas*. The Office classifies an establishment of a link as a question of fact. Therefore, a link, just as confusing similarity, could be supported by surveys and similar evidence. Such approach not only is probably impossible to comprehend for consumers (as a vision of any mark induces the feeling of similarity with the reputed mark particularly because of the reputation of the senior mark) such approach is also difficult to apply by competent institutions. As a result, the only realistic way to approach the issue of a link would be to evaluate globally all the facts of the case, including similarity of marks and the reputation of the senior mark. The position of

¹⁰⁹ Court of Justice of European Union. *Decision of 20 November 2014 in joined cases C-581/13 P and C-582/13 P Intra-Press SAS v OHIM and Golden Balls Ltd*, para. 73.

the CJEU on the issue of similarity of marks which does not allow the global appreciation test to be applied for both of these concepts simultaneously therefore cannot be supported.

Indeed, the recent case law of the EU courts seems to confirm such conclusion and to prove that evaluation of similarity in practice is affected by the level of recognition and reputation of the mark. In *Coca-cola* decision the CG found Coca-cola trade marks to be similar to the Master sign which had no identical or similar elements except from the use of the same the font and prolonged decoration of the first letters in both marks.¹¹⁰ It is really debatable if similarity between the signs of the same level of resemblance would have been confirmed in a case where the senior mark is less known.

Probably due to the deficiencies of a test for establishing a link, the test was partly rejected in proceedings before the Office and national institutions as will be seen later in the thesis.

3.2.3 Assessing similarity between goods and services

Regarding the similarity of goods and services the situation is also complicated. Contrary to the notion of similarity of signs which is identical in provisions dealing with confusing similarity and dilution, the wording of the two provisions in the former versions of the Directive and the Regulation were completely different with regards to the services or goods to which they are applied.

The question of the possibility of invoking the protection afforded to the reputed marks against later signs registered for identical or similar goods triggered debates just as vigorous as the discussion on the requirements for establishing reputation. Article 4 (4) (a) (current Article 5 (3) (a)) and 5 (2) (current Article 10 (2) (c))

¹¹⁰ General Court. *Decision of 11 December 2014 in case T-480/12 The Coca-Cola Company v. Modern Industrial and Trading Investment Co. Ltd.*

expressly mentioned that these provisions can only be applied in case goods and services are not similar to the goods and services for which the reputed mark has been registered.

Arguments in favour of the expanded protection which also covers similar or identical goods and services were based on the gap in the protection of reputed marks. To be more precise, supporters of this position claimed that the gap between former Article 4 (1) (current Article 5 (1) and former Article 5 (2) (current Article 5 (3) (a)) of the protection would occur if a trade mark was similar to the earlier mark and was used for similar or identical goods, but the similarity between the two signs was not strong enough to constitute confusion. CJEU for the first time had a chance to elaborate on this issue in the *Davidoff* decision. Advocate General Jacobs did not find the arguments of the supporters of the wider protection convincing. He felt that the protection of reputed marks should not be expanded to cases of similar/identical goods, and based his proposition on several arguments.

Firstly, following his opinion the protection of trade marks is based on the general principle of protection against confusion. This principle is applicable to reputed trade marks as well. The protection set out in Article 10 (2) (c) should be considered as an additional protection which should be applied within the framework of the general system.

Secondly, the gap discussed above is in fact almost non-existent. The amount of reputed trade marks, which are not similar enough to later signs to constitute confusion while registered for similar goods, in practice should not constitute a real problem. This conclusion can be drawn from the system of protection against confusion. Following the position of the CJEU in *SABEL*, the highly distinctive character (which is enjoyed by reputed marks) increases the probability of confusion. As a result, most reputed marks could be protected against the use of similar or identical marks by applying the protection against confusion.

Thirdly, the literal wording of the legislative acts could be departed from only for compelling reasons. In the present case, the absence of any gap in trade mark protection justifies no such departure. Furthermore, the principle of free movement and fair competition, safeguarded by the EU treaties would be in contradiction with the opposite interpretation of Article 5 (2) (current Article 10 (2) (c)). If protection against similar goods was to be allowed, national reputed trade marks could be invoked to prevent the registration of European Union marks which are not confusingly similar, however, are used for similar goods. Such interpretation could not be accepted.¹¹¹

The position of the CJEU in *Davidoff* was rather unexpected. One cannot disagree with a number of commentators who claimed that this time the court allowed itself to engage in an interpretation which is clearly in contradiction with the wording of the interpreted provision.¹¹² The *Davidoff* case was also a rather exceptional case in intellectual property law since the court chose not to follow the opinion and guidelines of the Advocate General. Despite the express wording of the legal provisions, the CJEU concluded that:

“Articles 4(4)(a) and 5(2) of First Directive 89/104 relating to trade marks, which allow the Member States to provide specific protection for registered trade marks with a reputation in cases where a later mark or sign, which is identical with or similar to the registered mark, is intended to be used or is used for goods or services which are not similar to those covered by the registered mark, are to be interpreted

¹¹¹ Opinion of Advocate General Jacobs in *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.* delivered on 21 March 2002.

¹¹² See, for example, MORCOM, C. Extending protection for marks having a reputation: what is the effect of the decision of the European Court of Justice in *Davidoff v Gofkid*? *European Intellectual Property Review*. 2003 No 25 (6), pg. 279-282.

as also entitling the Member States to provide such protection where a later mark or sign is intended to be used or is used for goods or services identical with or similar to those covered by the mark.”

The court concluded that reputed marks cannot be afforded a lower level of protection in cases where a sign is used for similar goods or services.¹¹³

3.2.4 Similarity of goods and services and establishment of a link

Although the *Davidoff* decision was unexpected, a more surprising was the position taken by the court in a much later *Intel* case. The case revealed a troublesome relation between similarity of goods and establishment of a link. Although, as the wording of Article 5(2) (current Article 10 (2) (c)) clearly established, this provision is applicable in cases where the later sign is used on goods which are not identical or similar to the ones marketed by the senior mark; in *Intel* the CJEU clearly found that one of the important factors for judging the existence of the link is the similarity between the goods/services.¹¹⁴ Even more so, the court explicitly stated that dissimilarity of goods can preclude the establishment of a link by stating that “even if the relevant section of the public as regards the goods or services for which the conflicting marks are registered is the same or overlaps to some extent, those goods or services may be so dissimilar that the later mark is unlikely to bring the earlier mark to the mind of the relevant public.”¹¹⁵

¹¹³ Court of Justice of European Union. *Decision of 9 January 2003 in case C-292/00 Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.*, para. 25 and 30.

¹¹⁴ See section 2.2.2.

¹¹⁵ Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 49.

The case law of the CJEU gradually brought about unexpected results regarding the importance of type of goods and services of both marks and their influence for the evaluation of an existence of a link.

However, although surprising due to a rather clear wording of the former EU provisions of reputed marks, the implications of the position by the CJEU on the Office practice were rather understandable. Since the guidance of the CJEU opened the floodgates for a more extensive protection of reputed marks, similarly as in the case of the wide interpretation of the notion of “reputation” provided in *General Motors*, the Office needed to restore the balance between the rights of trade mark owners and applicants for new registrations in order not to allow the protection of reputation in opposition proceedings to be applicable on the mere basis of a mental association. As a result of this, the practice shows that the Office tends to accept the existence of a link in cases where goods or services are not identical in the strict sense, only if goods nevertheless can be found to be ‘related’, ‘distributed by similar channels’ or otherwise perceived by consumers as an extension of the senior mark’s brand. For example, in the *Marie Claire* decision, after finding no similarity of goods for the purpose of the confusion test, the Board still found it necessary to justify the application of Article 8 (5) by establishing the “nexus between the goods”:

“Indeed, magazines dealing with lifestyle topics cover fashion items and contain a lot of publicity related to clothing articles, including bathing suits and underwear. This proximity of the goods is enhanced by the fact that the opponent and other

publishers diversify their activities to the fashion sector and by the fact that the consumers and distribution points of both classes of goods can be the same.”¹¹⁶

Similarly in G-star, the remoteness of goods was the final element precluding the establishment of the link between the mark used for jeans and the mark applied for computers and data processing.¹¹⁷

The position of the Office can partly be attributed to the uncertainty of a test for evaluating a link and similarity between the marks as discussed in section 3.2.2. As a level of similarity between a reputed mark and a later sign sufficient to prove a link has not been defined by the CJEU, the practical application of oppositions needed to rely on a more expedient ground. As a strong reliance on a similarity between the marks remained disputed other factors, such as similarity of goods, partly substituted the role of similarity of signs and link in the global evaluation of the case.

As it will be discussed further, the reason for such interpretation by the Office may also lie in the remaining elements of Article 8 (5), since following the interpretation of the CJEU in the recent case law, overlap between the consumers of the earlier and the junior mark is a prerequisite to prove detriment or unfair advantage and this overlap can only be established if, in the majority of cases, some relation between the two groups of goods can be confirmed to exist. However, the correctness of this position in concluding that there is a link is highly disputed as the issue of a link is

¹¹⁶ European Union Intellectual Property Office. *Decision of 6 March 2006 in opposition No R 530/2004-2 – MARIE CLAIRE / MARIE CLAIRE et al.*, para. 57.

¹¹⁷ European Union Intellectual Property Office. *Decision of 14 April 2008 in opposition No R 1232/2007-1 – G Stor (FIG. MARK) / G-STAR et al.*, para. 31 Similar arguments to reject the establishment of the link between the marks has been invoked by the Office in a number of cases. For example, European Union Intellectual Property Office. *Decision of 22 April 2009 in opposition No R 339/2008-1 – SUPERSOL / SUPERSOL (FIG. MARK)*, para. 50

different from the issue of unfair advantage or detriment and should be evaluated separately.

In cases where the requirement of a link is satisfied for truly dissimilar goods, the senior mark is usually truly “famous” or is aimed at the public at large. Such cases are really rare in the case law of the Office and are mostly related to trade marks whose reputation and image undisputedly stretch beyond the threshold of “known within the public at large”. The VIAGUARA/VIAGRA decision is an example illustrating the willingness of the Office to grant protection to a mark where the name and image conveyed by it is self-explanatory. However, it is interesting to note that even in such case the connection of goods played a role because the “opponent has shown that it may be the case that alcoholic beverages contain libido-enhancing ingredients and are advertised as such”.¹¹⁸

Similarly, in the Botox case, the Board had no difficulties finding common perceptions from the consumer point of view of the medical product and bleaching products in order to justify a conclusion on the existing link between the two marks.¹¹⁹

The analysis of the Office practice and the importance of type of goods for which the two marks are used or registered for establishing a link poses a difficult question

¹¹⁸ European Union Intellectual Property Office. *Decision of 20 May 2010 in opposition No R 0946/2009-1 – VIAGUARA / VIAGRA*, para. 43. In the same paragraph, the Office confirmed the importance of the image of an earlier mark:

“This demonstrates that the particular image associated to the earlier mark could easily be transferred to non-medical products and in particular to alcoholic beverages. This would not be the case between any kind of pharmaceuticals and beverages.”

¹¹⁹ European Union Intellectual Property Office. *Decision of 2 February 2009 in opposition No R 60/2008-4 – BOTUMAX/BOTOX*, para. 42.

regarding the relationship and separation line between the confusion and dilution/unfair advantage protection.

The position of the Office which required the goods and services of the later and the junior mark to be similar at least in some way, could be justified if, in the absence of such similarity, no other type of protection was available for the senior mark, and dilution/unfair advantage protection was applicable exclusively for dissimilar goods. However, this is clearly not the case.

The development of the case law on the application of Article 5 (1) of the Directive clearly emphasises the decreasing importance of the similarity of goods criterion for the establishment of confusion. Already back in 1998, the CJEU in *Canon* concluded that the lesser degree between the similarity of goods could be compensated for by the higher reputation of the mark or the higher similarity between the two trade marks.¹²⁰

The implementation of the global assessment test to constitute existence or nonexistence of confusion is clearly visible in the practices of the Office as well.¹²¹ In opposition proceedings, the similarity of goods or services criterion has been

¹²⁰ The court also concluded that:

“It follows that, for the purposes of Article 4 (1) (b) of the Directive, registration of a trade mark may have to be refused, despite a lesser degree of similarity between the goods or services covered, where the marks are very similar and the earlier mark, in particular its reputation, is highly distinctive.”

Court of Justice of European Union. *Decision of 29 September 1998 in case C-39/97 Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc., formerly Pathe Communications Corporation*, para. 24.

¹²¹ The phenomenon of treating similarity of goods criterion less strictly than could be predicted from the wording the Directive/Regulation has been observed by commentators as well. For example, FHIMA, I. S. Same name - different goods - death of the principle of specialty in FHIMA, I.S. *Trade mark law and sharing names: exploring use of the same mark by multiple undertakings*. Cheltenham: Edward Elgar publishing, 2009, pg. 114.

interpreted rather liberally, and a similar reasoning in finding similarity of goods for the purpose of Article 8 (5) is apparent. For example, in the Marie Claire decision, Office found no similarity between the goods for the purposes of applying the confusion test, however, the similarity of goods was found to be sufficient to trigger the application of Article 10 (2) (c). Interestingly, the argumentation on the “establishment of the link” is identical to the CJEU test for finding confusing similarity of the purpose of Article 4(1)(b) – leading the public to think that the two undertakings are economically linked. Furthermore, the separation line between the two defenses seems to be even thinner in cases where the opposition based on Article 8 (5) is satisfied in cases where confusion was already constituted to exist or is presumed to exist by Office.¹²²

As a result of the position of the EU institutions, the importance of the principle of specialty has been weakened significantly. As Ilinah Simon Fhima stated:

¹²² European Union Intellectual Property Office. *Decision of 6 March 2006 in opposition No R 530/2004-2 – MARIE CLAIRE / MARIE CLAIRE et al.*, para. 58.

European Union Intellectual Property Office. *Decision of 11 January 2010 in opposition No R 69/2009-1 – RED DOG / RED BULL et al.*, para. 19.

The Manual (Part 2.2.) states the following on the importance of similarity of goods for establishing confusion:

“An established trade custom, such as when manufacturers expand their businesses to adjacent markets, is of particular importance for concluding that goods/services of different nature have the same origin. In such situations it is necessary to determine whether such expansion is common in the industry or, conversely, whether it may occur in exceptional cases only.”

The Office for Harmonization in the Internal Market. *The manual concerning proceedings before the office for harmonization in the internal market (trade marks and designs), Part C* [interactive. Checked on 29 December 2013]. Available at: <<http://oami.europa.eu/en/mark/marque/pdf/guidelines-oppo-fv.pdf>>.

“While similarity of goods remains necessary in order to demonstrate confusion-based infringement, the degree to which it need to be shown has been reduced by its treatment as just one factor in a global assessment of confusion. At the same time, the European Court of Justice has drawn up a wide ranging list of facts that can contribute to a finding that goods are similar, making it easier to prove that similarity in less obvious cases.”¹²³

Such developments in confusion protection raise questions on the expedience of having two parallel systems protecting trade marks beyond the functions of origin as rightly noted by J.T. McCarthy:

“If a legal system has a test of likely confusion which broadly encompasses confusion over sponsorship, affiliation or connection, then many of the “deficiencies” cited by proponents of broad trademark protection are taken care of. The “need” for a separate system of protection though a dilution theory is much less pressing. And in such a legal environment, the burden of persuasion on proponents who advocate a broad and sweeping scope to anti-dilution laws is much heavier.”¹²⁴

To sum up the position supported by the Office, it can be concluded that in most cases, Office finds a link were the confusion test could be satisfied (where similar marks are used for the goods which are at least similar in certain aspects). In other cases, the requirement of establishing a link between the marks is rather difficult to satisfy and remains limited to truly known marks.

¹²³ FHIMA, I. S. Same name - different goods - death of the principle of specialty in FHIMA, I.S. *Trade mark law and sharing names: exploring use of the same mark by multiple undertakings*. Cheltenham: Edward Elgar publishing, 2009, pg. 114.

¹²⁴ MCCARTHY, J. T. Dilution of a trademark: European and United States law compared. *The Trademark Reporter*. 2004, No 94, pg. 1170-1171.

3.2.5 Detriment to the distinctive character

Since F. Schechter's theory on dilution was published in the Harvard law review, dilution protection has always been mostly associated with the protection against "whittling away", "watering down the mark" or even more radically "becoming generic". Since the appearance of the F. Schechter's theory, various questions and disputes regarding its scope have arisen.¹²⁵ As the previous part of the research has revealed there are no unambiguous, truly comprehensible and suitable arguments to support the wording of Article 5 (3) (a) and 10 (2) (c) of the Directive and the protection against dilution as safeguarded by it. The CJEU in *Intel*, has tried to provide an explanation of how detriment to distinctive character should be understood within the EU law context:

"As regards, in particular, detriment to the distinctive character of the earlier mark, also referred to as 'dilution', 'whittling away' or 'blurring', such detriment is caused when that mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which used to arouse immediate association with the goods and services for which it is registered, is no longer capable of doing so."¹²⁶

¹²⁵ One of the main disputes which can still be found in the arguments of commentators researching this topic is whether the protection proposed by F. Schechter should be applicable to all trade marks which are distinctive, or only the marks which are well-known to the relevant public. Another disagreement and point of discussion is the question of whether such protection should encompass only dissimilar or also similar goods/services.

¹²⁶ Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 29.

Contrary to tarnishment, which can be considered to occur after one registration of the junior mark, detriment to the distinctive character is the harm which is described by commentators as “death by thousand cuts” and implies a lessening of distinctiveness.¹²⁷ It is difficult not only to describe why such protection is needed but also to comprehend how the harm to the distinctive character occurs and could be proven.¹²⁸ As the previous chapter on the history and economic rationale of the protection of reputed marks has demonstrated, F. Schechter’s theory which is considered to have triggered the introduction of dilution laws worldwide was mainly aimed at protecting the uniqueness of a distinctive sign, without limiting such protection to signs of any particular fame. The analysis of relevant EU provisions showed that the exact purpose of this protection is unclear and explanations for its necessity are limited to the changed functions of trade marks which are applicable to all provisions on well-known and reputed marks in general.¹²⁹

¹²⁷ Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 68.

¹²⁸ “No part of trademark law that I have encountered in my forty years of teaching and practicing IP law has created so much doctrinal puzzlement and judicial incomprehension as the concept of “dilution” as a form of intrusion on a trademark. It is a daunting pedagogical challenge to explain even the basic theoretical concept of dilution to students, attorneys and judges. Few can successfully explain it without encountering stares of incomprehension or worse, nods of understanding which mask and conceal bewilderment and misinterpretation”.

MCCARTHY, J. T. Dilution of a trademark: European and United States law compared. *The Trademark Reporter*. 2004, No 94, pg. 1163.

¹²⁹ For the discussion, see chapter I.

The exact purpose of the protection against detriment to the distinctive character in the EU law remains far from clear as well.¹³⁰ Such conclusion is based on several points.

Firstly, it can be deduced from the pre-*Intel* case practise of the Office, the GC and the CJEU that for most of the time since the respective EU provisions came into force, detriment to the distinctive character was perceived to be an integral part of other grounds for infringement, especially detriment to repute. It can be observed that application of all four infringement types of Article 8 (5) without thorough and deep explanations on the applicability/non applicability of the particular type is a common characteristic of the earlier decisions of the Office.¹³¹ However, this tendency is mostly visible in case of detriment to distinctive character which was barely ever analysed in isolation from the other three possible infringements under Article 8 (5).

Secondly, a search of the Office practice and the EU courts' cases reveals that during the pre-*Intel* period there were no oppositions and appeals based exclusively

¹³⁰ Confusion and skepticism regarding the exact scope of protection of dilution laws and actual harm caused by its occurrence is voiced not only in the EU, but also in the US (regarding the Trade mark dilution revision act). For example, Sandra L. Rierison argues that:

“The TDRA defines dilution by blurring as an “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” The mark's distinctiveness is impaired, at least in theory, because the consumer's ability to recall the famous trademark is compromised due to the consumer's exposure to the mark in unrelated contexts. The effect of each dilutive use is cumulative and eventually can even result in the demise of the mark. Whether this phenomenon actually occurs in practice is the subject of substantial debate.” RIERSON, S. L. The myth and reality of dilution. *Duke Law & Technology Review*. 2012, October, pg. 234-235.

¹³¹ For illustration of an early decision analysing both detriments and unfair advantage as one possible infringement, see European Union Intellectual Property Office. *Decision of 16 August 2007 in opposition No R 1127/2000-3 – VIPS / VIPS*.

on the possible detriment to distinctive character as a “stand alone” clause. Although the same conclusion can be applied to the three other forms of infringements set out in Article 8 (5), contrary to them, detriment to distinctive character was very rarely invoked as a primary ground as opposed to unfair advantage or even detriment to repute.

Furthermore, the practise of the Office quoted below illustrates that quite often detriment to the distinctive character could be established only where conditions for detriment to repute were already found to be fulfilled:

“The second scenario contemplated by Article 8(5) CTMR – detrimental effect on reputation or distinctiveness – occurs when the later mark is used for goods or services which provoke a reaction of annoyance or displeasure, be it for their intrinsic nature or because of the unpleasant mental association with the goods for which the earlier mark is reputed (see Decision of the Third Board of Appeal of 25 April 2001 in Case R 283/1999-3 – HOLLYWOOD / HOLLYWOOD). These cases give rise to the phenomenon of ‘tarnishment’ whereby the reputed mark ceases to convey desirable messages to the public: hence the detriment to its distinctive character.(para 16) Consequently, the Board does not see how the use of the SKOVA mark could possibly tarnish the earlier marks in the sense of blurring their positive image with the public.”¹³²

Similarly in FRATELLI MARTINI, the Board of Appeal found that lack of evidence of use of the later sign on products of inferior quality which would

¹³² European Union Intellectual Property Office. *Decision of 8 September 2004 in opposition No R 710/2003-1 – SKOVA / ŠKODA AUTO (FIG. MARK) et al.*, para. 30-31 of the decision.

generate the feeling “of annoyance or disgust” precluded it from finding detriment to distinctive character.¹³³

The above cases are just some examples of a large number of decisions where the Board of Appeal considered possible detriment to distinctive character in conjunction with or even as part of detriment to repute.¹³⁴ The decisions of the Office clearly show that the arguments of opponents based on detriment to distinctive character were barely ever acknowledged as valid. In several sets of appeal proceedings the Board of Appeal even openly acknowledged that the reason for this is the fact that: “Article 8 (5) CTMR requires an evaluation of the detrimental impact *ex ante*. That is not an easy task. [...] This exercise is necessarily of a somewhat speculative nature. The opponent must at least put forward a coherent line of argument which leads to the *prima facie* conclusion that the link which the opponent’s trade mark establishes with the opponent’s goods, in the mind of a typical consumer of those goods, will be weakened if an identical or very similar trade mark is registered and used in respect of dissimilar goods or services.”¹³⁵

Due to such speculative nature of the type of evidence required, very few oppositions based on, or involving, the applicability of detriment to distinctive character were successful. One of the possible reasons for an extremely low rate of successful enforcement of rights could be the requirement of a high level of distinctiveness and uniqueness for the reputed mark. Although neither the Directive

¹³³ European Union Intellectual Property Office. *Decision of 30 July 2007 in opposition No R 1244/2006-1–MARTINI FRATELLI (FIG. MARK) / MARTINI*, para. 29.

¹³⁴ See also, for example, European Union Intellectual Property Office. *Decision of 20 October 2003 in opposition No R 1004/2000-1 – KINDERCARE (FIG. MARK) / KINDER et al.*, para. 30-32.

¹³⁵ See, European Union Intellectual Property Office. *Decision of 3 September 2007 in opposition No R 1578/2006-2 – JANE / JANÉ et al.*

nor the Regulation require that the reputed mark should be unique or very distinctive, the practice of the GC and the Office would seem to suggest the opposite conclusion. In several decisions Office found the popularity and wide use of the mark to be an obstacle to a finding of detriment to its distinctive character.¹³⁶ GC confirmed such approach in *SPA-FINDERS*, thereby bringing the practise of EU institutions closer to the initial anti-dilution theory of F. Schechter.¹³⁷

Lastly, the early practice reveals the same pattern as in the case of the application of detriment to repute which is analysed further in this chapter – very few decisions confirming applicability of detriment to distinctive character (alone or in conjunction with other types of infringements) dealt with trade marks whose knowledge within the public can be considered beyond doubt in almost every member state.¹³⁸ Trade marks in such cases were so famous that their use on literally any type of goods could easily confuse consumers as to possible economic linkage or sponsorship deals between the two trade mark owners. However, the importance of a similarity between the goods and services remained significant even in the case

¹³⁶ For example, European Union Intellectual Property Office. *Decision of 2 August 2007 in opposition No R 0086/2007-2 – DAKAR / Dakar (FIG. MARK)*, para. 25.

The same conclusion based on the popularity of the word used as a trade mark was reached in *JANE/JANÉ*.

¹³⁷ European Union Intellectual Property Office. *Decision of 3 September 2007 in opposition No R 1578/2006-2 – JANE / JANÉ et al.*, para. 44.

F. Schechter among other things argued that “that the degree of its protection depends in turn upon the extent to which, through the efforts and ingenuity of its owner, it is actually unique and different from other marks”. See SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*, 1927, No 40 (6), pg. 559.

¹³⁸ One of the few examples of successful reliance on detriment to distinctive character is found in *T CARD OLYMPICS (FIG. MARK) /OLYMPIC*. European Union Intellectual Property Office. *Decision of 1 March 2004 in opposition No R 145/2003-2 – T CARD OLYMPICS (FIG. MARK) /OLYMPIC*.

of truly famous mark. For example, in TI-CANON, the Board of Appeal concluded that even though the opponent's mark had a reputation, goods in classes 29, 30 and 32 were too far removed from goods in class 9 to constitute tarnishing or dilution because "it is not likely, for instance, that a typical consumer of confectionery or soft drinks who knows the opponent's goods would think of these when he sees the mark 'TI-CANON'."¹³⁹

It can be concluded that in the pre - *Intel* period proving the occurrence or risk of detriment to distinctive character was difficult as the additional protection for reputed marks was perceived to be an exceptional safeguard. In most cases the successful enforcement of rights in this field was achieved by truly famous marks which could be perceived as being in one way or another related to the junior mark (e.g. through licencing, sponsorship etc.) by at least some potential connections between goods/services of both signs.

At the end of 2008 the CJEU pronounced its ruling in the *Intel* case. The Court of Appeal of England and Wales sought guidance on the applicability of Article 5 (3) (a) of the Directive.¹⁴⁰

In essence, the court concluded that all the issues of the case must be evaluated globally taking into consideration all the facts in order to evaluate a possible link between the marks. Furthermore, the CJEU was faced with the question on the conditions required to be met for establishing detriment to distinctive character. More precisely, the CJEU was requested to provide an answer to the following question from the Court of Appeal of England and Wales: "In the context of Article 4 (4) (a) [of the Directive], what is required in order to satisfy the condition of detriment to distinctive character - does the element of detriment to distinctive

¹³⁹ European Union Intellectual Property Office. *Decision of 4 November 2002 in opposition No R 761/2001-2 – FIG. MARK (TI CANON) / CANON*, para. 21.

¹⁴⁰ For the discussion on the *Intel* case on the subject of a link, see Chapter 3.2.2

character of the earlier mark require an effect on the economic behaviour of the consumer?”

The rationale of the dilution theory provides that a trade mark is to be protected against becoming generic, watered down, debilitated etc. In short – the essence of the protection against dilution is to ensure that consumers are able to identify a particular mark with particular goods. Contrary to the anti-confusion provisions, the blurring theory is aimed at primarily protecting the mark and its proprietor.¹⁴¹ The wording of Article 5 (3) (a) of the Directive clearly indicates that the primary aim of this provision is to ensure additional protection against non-similar goods. As a result the aim of this provision is to ensure that any use on dissimilar or similar goods does not weaken, in the minds of consumers, the link between the mark and the products it is used on, thereby securing a strong trade mark image. If the question raised by the Appeal Court of England and Wales had been answered positively it would have placed an impossible burden on claimants wishing to challenge the registration of later marks. The reason for such a conclusion is rather simple – if a later sign is not yet in use and is applied for dissimilar goods (as was the case in *Intel*) it is practically impossible to show evidence of change of economic behaviour or its risk if such change is understood as requiring a proof of loss in sales of any other similar negative objective consequences.¹⁴² In cases where consumers

¹⁴¹ See chapter I on the discussion of the new group of arguments aimed at protecting the mark and its proprietor as opposed to the classical trade mark theories which were mainly focused on the consumer protection.

¹⁴² Many commentators, of which Ilinah Simon Fhima is representative, argue that the *Intel* ruling has a “devastating effect on subsequent European blurring actions” as “trade mark owners can hardly be blamed for failing to adduce evidence of a change of economic behavior if it is unclear what evidence would suffice”. See, FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 151.

of goods marked by both signs do not coincide – it is in practical terms not reasonable to require the opponent to prove that sales of goods would be in any way affected by the future use of the later mark. Requiring such proof could only be justified if goods were similar or interchangeable and consumers could be expected to substitute products marked with the reputed mark by the new market entrant. Answering yes to the question of the UK court would mean that the CJEU requires some similarity of substitutability of goods.¹⁴³ For this reason the opinion of Advocate General Sharpston on this issue can be completely endorsed. Advocate General did not agree that the fact that a similar sign is used on unrelated goods, even if the distinctive character of the former is lessened, would trigger the users to reduce consumption of the products marked by the reputed mark.¹⁴⁴

The CJEU however did reach a different conclusion stating that:

“It follows that proof that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent the use of the later mark, or a serious likelihood that such a change will occur in the future.”¹⁴⁵

¹⁴³ A similar conclusion was reached by Advocate General Sharpston in *Intel*.

Opinion of Advocate General Sharpston in *Intel Corporation Inc. v CPM United Kingdom Ltd.*, delivered on 26 June 2008, para. 59-61.

¹⁴⁴ Opinion of Advocate General Sharpston in *Intel Corporation Inc. v CPM United Kingdom Ltd.*, delivered on 26 June 2008, para. 74.

¹⁴⁵ Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 76-77.

The court did not engage in neither an explanation on possible meaning of “change in economic behaviour” nor shed light on potential evidence which could suffice to confirm such change.

The *Intel* decision was the object of many interpretations and evaluations by scholars. Most commentators argued that such a burden of proof was not reasonable and rendered protection against detriment to distinctive character ineffective. Scholars felt that to require the proprietor to show the additional effect of a change in the economic behaviour of the average consumer is not a requirement of Article 5 (3) (a),¹⁴⁶ nor is this supported by the reasoning used in *Intel*.¹⁴⁷ This conclusion cannot be that easily repudiated since the post – *Intel* practice of the Office indicates that successful reliance on the Article 8 (5) provision regarding blurring has become even scarcer than before. Case law verifies that the Office was puzzled as to what evidence claimants were required to submit to satisfy the new requirement by the CJEU. On several occasions the Office did try to shed its own interpretation on this issue. For example, in *Red Bull v. Red Dog* the Board of Appeal concluded that change in economic behaviour could be induced in cases where a product is copied and cheaper replicas appear on the market and some part of the public chooses to purchase the copy.¹⁴⁸

¹⁴⁶ See, for example, DAVIES, C. To buy or not to buy - the use of a trade mark as a communication tool rather than as a link between a product and its source - a further consideration of the concept of dilution. *European Intellectual Property Review*. 2013, No 35 (7), pg. 373-382.

¹⁴⁷ However, some voices were raised claiming that the decision should limit the overly broad protection or even benefit trade mark holders by making the concept of detriment more comprehensive and practical. See, for example, MIDDLEMISS, S. and WARNER, S. The protection of marks with a reputation: *Intel v CPM*. *European Intellectual Property Review*. 2009, No 31 (6), pg. 326-336.

¹⁴⁸ European Union Intellectual Property Office. *Decision of 11 January 2010 in opposition No R 69/2009-1 – RED DOG / RED BULL et al.*, para. 26-27.

Although the explanation of this requirement does seem to be logical, its main pitfall lies in the goods/services for which it can be applied. Contrary to the facts of the case in *Intel*, the Red Dog trade mark was registered for identical goods as the earlier reputed mark Red Bull. The applicability of the “change in economic behaviour” following such logic would still be almost ineffective in the case of dissimilar goods as purchasing “a copy” product would not be an option for consumers. Furthermore, such interpretation of “change in economic behaviour” in cases of similar goods would be quite difficult to reconcile with a standard of proof in confusion cases. The reason for such a conclusion lies in the fact that consumer confusion also protects the mark from damaging its distinctiveness or capability of indicating origin as confusion is the highest level of detriment to distinctive character. Requiring change in buying habits for the purpose of applying Article 9 (2) (b) while not requiring it for the application of Article 9 (2) (c) which secures a higher level of the same harm would be more than inconsistent.

Perhaps understanding this difficulty, the Office tried to soften the burdensome requirement in *Citi* by claiming that change in economic behaviour could not be understood as implying that “consumers refrain from buying certain goods or services and buy other goods or services instead” and that imminent danger of loss of sales is not an element to prove.¹⁴⁹

¹⁴⁹ The Office also provided a very illustrative example of a potential absurdity of such requirement;

“No-one who was contemplating buying a Rolls Royce car would decide to buy a Mercedes Benz or a Ferrari instead because someone had started using ‘Rolls Royce’ as a trade mark for cafeterias or candy. <...> There is no need to show an imminent danger of lost sales (emphasis added).”

European Union Intellectual Property Office. *Decision of 30 April 2009 in opposition No R 821/2005-1 – CITIGATE / CITICORP et al.*, para. 38.

This rather vague interpretation of the notion of “change in economic behaviour” was, at the first reading,¹⁵⁰ endorsed by the GC as well.¹⁵¹ The CG in *WOLF JARDIN* case also did endorse the understanding of change in economic behaviour as simply requiring loss of distinctiveness which “is established if the proprietor of the earlier mark has shown, in accordance with paragraph 76 of Intel Corporation, that the mark’s ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened.”¹⁵²

The GC seems to have suggested that change in economic behaviour is automatically induced in cases where due to the use or registration of an earlier sign, the ability of the senior sign to invoke an association by the consumers with particular goods is weakened. Such ability and therefore a risk of detriment should be induced by using logical deductions and evaluating all the circumstances of the case and the market conditions. The position of the GC had followed the position of the CJEU in the *BOTOX* case where the concept of logical deductions was firstly used.¹⁵³ In the proceedings before the GC, the Office also suggested that a concept of “change of economic behaviour” should be understood as the dispersion of the

¹⁵⁰ General Court. *Decision of 26 September 2012 in case T-301/09 IG Communications Ltd v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 114.

¹⁵¹ However, the position of the Office is also not entirely uniform, in some cases change of economic behavior was required in case of dissimilar goods as well, for example in *Supersol*.

European Union Intellectual Property Office. *Decision of 22 April 2009 in opposition No R 339/2008-1 – SUPERSOL / SUPERSOL (FIG. MARK)*, para. 55.

¹⁵² General Court. *Decision of 22 May 2012 in case T-570/10 Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 52-54.

¹⁵³ Court of Justice of European Union. *Decision of 10 May 2012 in case C-100/11 P. Helena Rubinstein SNC and L'Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 95.

identity of the reputed mark. According to the position of the Office “it is sufficient, in order for the consumer’s economic behaviour to be affected, for the consumer to consider the sign having a reputation to be less attractive, prestigious or exclusive as a result of the use of the later sign in dispute.”¹⁵⁴

Such interpretation suggested by the GC and the Office, which probably was the best effort to return to a still practically applicable interpretation of detriment, was rejected by the CJEU in the appeal.

The CJEU in *WOLF JARDIN* did not agree with the GC. It confirmed the applicability of *Intel* for similar goods/services,¹⁵⁵ and furthermore seems to have stated that change in economic behaviour is not one of the elements to be considered in evaluating a risk of detriment but rather is a prerequisite for such an evaluation.¹⁵⁶ Following the same decision, this prerequisite cannot be inferred from the

¹⁵⁴ General Court. *Decision of 22 May 2012 in case T-570/10 Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 28.

¹⁵⁵ Court of Justice of European Union. *Decision of 14 November 2014 in case C-383/12 P. Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 45

¹⁵⁶ In para. 36 the CJEU ruled:

“without adducing evidence that that condition [change in economic behaviour, added] is met, the detriment or the risk of detriment to the distinctive character of the earlier mark provided for in Article 8(5) of Regulation No 207/2009 cannot be established.”

Court of Justice of European Union. *Decision of 14 November 2014 in case C-383/12 P. Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*.

consumers' opinion point of view, as it is an objective rather than subjective criterion.¹⁵⁷

In the following paragraphs of the decision, the CJEU concluded that a risk of detriment requires higher standard of proof than a fact that a use of a later sign might compromise the immediate connection that a relevant public makes between the sign and the goods. Evaluation of a risk of detriment can only be undertaken after change in economic behaviour has been established, must be done using logical deductions, which:

“must not be the result of mere suppositions but, as the General Court itself noted at paragraph 52 of the judgment under appeal, in citing an earlier judgment of the General Court, must be founded on ‘an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case.’”¹⁵⁸

Although as in the *Intel* decision, the exact meaning of the concept “change in economic behaviour” after the *WOLF JADIN* case cannot be unambiguously revealed several propositions on the possible content of this concept can be provided. Firstly, it seems (although also not entirely clearly) that the requirement of change in economic behaviour must be evaluated before the overall risk of detriment to distinctive character is analysed and is not subject to logical deductions of the overall facts of the case as such deductions are undertaken at the later stage in determining a risk of detriment. Secondly, the requirement must be evaluated not

¹⁵⁷ Court of Justice of European Union. *Decision of 14 November 2014 in case C-383/12 P. Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 37.

¹⁵⁸ Court of Justice of European Union. *Decision of 14 November 2014 in case C-383/12 P. Environmental Manufacturing LLP v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 43.

merely from the subjective consumer's perspective. This obligation most likely can be understood as requiring to evaluate possible objective outcomes of the consumer's behaviour which are triggered by the use or registration of the later sign. As a concept "economic behaviour" itself implies an economic element, it could be deduced to require a loss in willingness to buy a good or a reduced initiative to pay the same price for goods marked by the senior mark. In both cases, it is not clear how to measure the impact of such change in behaviour and using which tools. Lastly, it must be noted that as change in economic behaviour is not in itself a sufficient condition to rule on a risk of detriment, the *WOLF JARDIN* leaves the question open as to what further circumstances of the case must be evaluated using the deduction method to rule on such a risk.

Although the implications of the *WOLF JARDIN* for the Office practice remain to be seen, so far in the post-*Intel* period the Office has not revealed any substantial change in evaluating the presence of detriment to distinctive character. As in earlier cases, successful reliance on this ground in most cases can be found where either goods or services marked by the reputed mark are at least in some way similar to the goods that the later mark is applied to, or in cases where detriment to distinctive character is confirmed in conjunction with unfair advantage or detriment to repute. In the latter situation, the Office continues to evaluate overall circumstances of the case and does not even engage in any analysis of the existence of a possible "change

in economic behaviour” of consumers.¹⁵⁹ Successful reliance on detriment to distinctive character in the case of truly dissimilar goods is virtually non-existent.¹⁶⁰

To conclude on the applicability of detriment to distinctive character after the *Intel* decision, several observations can be made.

Firstly, the Office tried to interpret the requirement of “change in economic behaviour” in a manner which would bring this constraint in line with the earlier practice of the Office and the case law of the GC and the CJEU. If a change in actual buying habits were required to be proven in the case of only similar goods, the enforceability of provisions on reputed marks would have been more realistic, although potentially inconsistent with a standard of proof in confusion cases. The reasonable position of the Office does seem to be confirmed, at least on some aspects, by the GC in *Citi* and *WOLF JARDIN*. However, after the latest CJEU ruling in *WOLF JARDIN* the effectiveness of the protection against detriment to distinctive character remains more questionable than ever. A possible separation of the requirement for the change in economic behaviour from the overall evaluation of a risk of detriment and an emphasis on the objective rather than subjective aspects

¹⁵⁹ For example, in *EMILIO PUCCI* decision.

European Union Intellectual Property Office. *Decision of 18 June 2009 in opposition No R 770/2008-2 AND R 826/2008-2 – EMIDIO TUCCI (FIG. MARK)/EMILIO PUCCI et al. (FIG. MARK)*, para. 132-134.

¹⁶⁰ Ilanah Simon Fhima argues that “these decisions (RED BULL/RED DOG, BOTOX/BOTUMAX and O/Oh, added) suggest that it is possible to demonstrate blurring in the absence of a loss of sales or other empirical proof of a change in economic behavior, but only in exceptional circumstances, or where confusion is also present, though in the latter instance, it is questionable whether such harm is truly caused by a reduction in distinctive character”. Fhima, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 153.

of this requirement render detriment to distinctive character incomprehensible not only from the practical but also from the theoretical point of view.

Secondly, in most cases opponents succeeded in proving detriment to distinctive character either where goods or services marked by both marks are similar or identical or where this ground of trade mark defence is proved in combination with other infringements. In the former case, most cases could be based on confusing similarity (e.g. as in the case of Red Bull drinks), in the latter case, other grounds are proven more plausibly in the majority of oppositions and detriment to distinctive character is only enforced as an additional ground (e.g. this is the case with luxury clothing brands or exclusive banking services).¹⁶¹

Thirdly, even after the strict requirements of *Intel* the Office and the GC continue to require very little evidence to confirm applicability of detriment to distinctive character – usually in connection with other infringements of Article 8 (5) – in cases where the reputed mark is truly famous and known to the public at large beyond doubt.¹⁶²

¹⁶¹ In *Citi*, one of the few decisions where detriment to distinctive character was confirmed, the Board of Appeal concluded on the collateral role of this the infringement in the particular case:

“In view of the above findings it is not strictly necessary to consider whether the applicant’s use of the mark CITIGATE would be detrimental to the distinctive character of the CITIBANK mark. However, for the sake of completeness this issue will be explored.”

European Union Intellectual Property Office. *Decision of 30 April 2009 in opposition No R 821/2005-1 – CITIGATE / CITICORP et al.*, para. 35.

¹⁶² One of the best examples of continued practice in applying the protection of Article 10 (2) (c) in cases of truly famous marks without requiring evidence of possible dilution, is the decision in *BOTUMAX v. BOTOX*. The Office concluded on the existence of a link and dilution, merely stating that: “the appellant has submitted enough materials which prove that the success of the ‘BOTOX’ mark is very high and that many competitors have tried to register similar signs for identical or similar goods. The existence of another

3.2.6 Detriment to repute

So far, the CJEU has not provided a landmark decision on the detriment to repute. In *L’Oreal/Bellure* the court ruled that:

“As regards detriment to the repute of the mark, also referred to as ‘tarnishment’ or ‘degradation’, such detriment is caused when the goods or services for which the identical or similar sign is used by the third party may be perceived by the public in such a way that the trade mark’s power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark.”¹⁶³

Advocate Sharpston went even further and not only emphasised that tarnishment may arise in cases where the junior mark is used for goods of a lower quality or of a negative characteristics per se but also described detriment to repute as a more damaging harm to the mark than blurring by stating that “it appears to be a step

mark that appears to be a derivative of ‘BOTOX’ will definitely dilute the distinctive character of the sign and will confer on its owner an unfair advantage using its reputation.”

European Union Intellectual Property Office. *Decision of 2 February 2009 in opposition No R 60/2008-4 – BOTUMAX/BOTOX*, para. 41.

The General Court confirmed the above decision in Case T-131/09. General Court. *Decision of 28 October 2010 in case T-131/09 Farmeco AE Dermokallyntika v Office for Harmonization in the Internal Market (Trade Marks and Designs) (Office)*.

In *Kenzo v. Kenzo Tsujimoto*, the CG also confirmed detriment to distinctive character and detriment to repute without any analysis of potential change in economic behavior. General Court. *Decision of 2 December 2015 in case case T-528/13, Kenzo v. Kenzo Tsujimoto*.

¹⁶³ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, para. 40.

beyond blurring, in that the mark is not merely weakened but actually degraded by the link which the public makes with the later mark.”¹⁶⁴

Even though the *Intel* case triggered a lot of debate and discussion as to the applicability of detriment, it should be noted that this case was mainly concerned with detriment to the distinctive character and did not really provide a lot of explanation regarding detriment to repute. The court did not have a real need to elaborate on the topic due to the subject matter of the case. One interesting question that the CJEU will have to provide its insights on sooner or later regards the controversial requirement of change in economic behaviour of consumers. Although in *Intel* and later in *WOLF JARDIN* cases the court seems to have intentionally concentrated only on detriment to distinctive character, the commonalities of the two types of infringement of detriment imply that this question will be brought to the attention of the CJEU.¹⁶⁵

The line of argumentation which was followed by the CJEU in *Intel* and even more so in the *WOLF JARDIN* would suggest that the court will require change in economic behaviour to establish detriment to repute. There are several reasons allowing such a preliminary conclusion. Firstly, occurrence of tarnishment also weakens the distinctive character of the mark and the immediate association of consumers between the mark and goods marked by it. However, injury of tarnishment, as described by GA Sharpston is a step beyond bringing about not only the weakening of distinctiveness but also degradation of the mark. As a result, the common feature of both infringements would justify similar elements of proof.

¹⁶⁴ Opinion of Advocate General Sharpston in *Intel Corporation Inc. v CPM United Kingdom Ltd.*, delivered on 26 June 2008, para. 79.

¹⁶⁵ The issue was already touched upon at a national level in some member states. For the discussion see chapter 4.2.4 on UK Intellectual Property Office. *Decision of 22 May 2013 in opposition No O/219/13 by UNITE THE UNION AGAINST CONSOLIDATED BY THE UNITE GROUP PLC.*

Secondly, after the CJEU in the *WOLF JARDIN* decision focused on objective rather than subjective side of change of consumer's economic behaviour, it would be easier applied for tarnishment than for blurring. If change in economic behaviour as discussed in the section above is understood as loss of consumers' willingness to buy a product or to pay the same price for it, this requirement is easier comprehended in case of tarnishment. The reason for such conclusion is the fact that it seems more rational and comprehensible to evaluate that due to a loss of positive image of the mark a consumer will be less willing to pay for a reputation or an aura or the mark. Therefore, if the requirement of the objective analysis of change in economic behaviour can be required for blurring it can much more so be applied for tarnishment. Furthermore, since both types of detriments concentrate on the harm to the consumer of the senior mark,¹⁶⁶ different elements which have to be proven as a prerequisite for establishing particular type of harm would constitute inconsistency in the position of the CJEU.

However, in spite of such conclusions, the practice of the Office shows that as for today establishing detriment to repute is far easier than establishing blurring. There could be various reasons for this, however, the analysis of opposition and appeal decisions before the Office seems to suggest that both the parties to disputes and the Office, seem to perceive tarnishment as an easier notion to understand and identify, including the risk of tarnishment occurring.

The main factor taken into consideration by the Office in establishing existence or absence of detriment to repute is the nature of goods or services marked by the

¹⁶⁶ "Accordingly, the existence of injury consisting of detriment to the distinctive character or the repute of the earlier mark must be assessed by reference to average consumers of the goods and services for which that mark is registered, who are reasonably well informed and reasonably observant and circumspect". Court of Justice of European Union. *Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd.*, para. 35.

senior and the earlier marks. If the reputation and image created by the senior mark's proprietor can be endangered by the nature of the goods marked by the junior mark, or the image of such goods, or the context in which they are presented, the Office is likely to find detriment to repute. However, the Office seems to have established an additional criterion for the application of this type of defence. In order to successfully invoke the possible harm of detriment to repute, the mark must not only have a reputation (i.e. it must meet the criterion of knowledge threshold), but it must also be associated by the relevant public with the specific image or aura. Thus, simple knowledge of the mark does not seem to be sufficient and successful efforts by the trade mark proprietor to associate the mark with specific features, a way of life, culture etc. must be shown. It is important to note that, mere efforts in creating such image (for example, advertising campaigns) in the minds of consumers does not seem to be sufficient either – these efforts must be appreciated and rightly comprehended by the relevant consumer group.¹⁶⁷

For example, in *Hollywood/Hollywood* decision the Office concluded that:

“Hence, once an image associated with a trade mark which has a reputation has been shown to exist, the fact that the contested sign is detrimental to this image must still be demonstrated.”¹⁶⁸

¹⁶⁷ This conclusion regarding practice of the Office is also supported by commentators, for example, Ilanah Simon Fhima states that:

“A further restraining factors has been the insistence by some tribunals, and Office in particular, that before considering whether a senior mark has suffered harm to its reputation, the senior user must prove not only that its mark has a reputation, in the sense of being known to a certain percentage of consumers, but also that the senior mark is reputed in the sense that it has a particular positive image.” FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 175.

¹⁶⁸ European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*, para. 84. The requirement for the mark to have a specifically recognisable

The decisions of the Office reveal that proving the successful achievement of creating a trade mark image that could potentially be harmed by the registration of the junior sign is not always an easy task. The requirement to establish a specific image, lifestyle, impression or feeling that the relevant consuming public would associate with the specific mark seems to be one of the safeguards established by the Office against the risk of the protection of reputed marks becoming too wide. Although establishing a particular image never has been classified by the Office as a separate requirement to be proven in case of detriment to repute, practice of the Office suggests that in the majority of cases absence of such image precludes successful reliance on this infringement ground.¹⁶⁹ As in case of proving reputation, the requirement to prove the existence of an image in most cases has only opened the door for additional protection for the marks which are more than merely known within the market, in most cases these marks can be claimed to be acknowledged as well-known by the public at large. One of the numerous examples of unsuccessful efforts to prove detriment which failed due to the lack of sufficient evidence of the

feature was reiterated in many decisions, for example, European Union Intellectual Property Office. *Decision of 4 June 2009 in opposition No R 893/2008-1 – BARBARIC (FIG. MARK)/ DEVICE OF WALKING FINGERS*, para. 80.

¹⁶⁹ An understanding that tarnishment requires a particular image of the earlier mark can also be sensed in the GA Sharpston opinion in *Intel* where she states that:

“I have above given two imaginary examples of unrelated goods sold under the name ‘Coca-Cola’, or a similar mark: on the one hand, low-grade engine oil or cheap paint stripper; on the other hand, a select range of expensive hand-made jewellery. It seems likely that the former, and unlikely that the latter, would damage the repute of the Coca-Cola Company’s trade mark. In each case of alleged tarnishment, it will be necessary to compare the connotations of each mark, in relation either to the goods or services covered or to the broader message which they may convey, and to evaluate the damage entailed.”(emphasis added).

Opinion of Advocate General Sharpston in *Intel Corporation Inc. v CPM United Kingdom Ltd.*, delivered on 26 June 2008, para. 81.

specific image can be seen in the FIRMAMENT decision where the Office concluded that “the opponents did not argue that the earlier marks convey a particular image and message and therefore it cannot be assessed whether the contested mark may tarnish the image of the earlier marks.”¹⁷⁰

Lastly, we must agree with the conclusion of Jeremy Phillips that the Office seems to consider the positive image of the senior mark from the perspective of users of the senior mark. The image of the product which is intended to be marketed by the junior mark is less important at this point.¹⁷¹

Once the specific image conveyed by the trade mark is established, the risk of tarnishment is evaluated. Commentators separate different scenarios that can occur as detriment to repute:

- The goods of the junior mark are incompatible with the goods of the senior mark;
- The goods of the junior mark are not compatible with the image of the senior mark;
- The goods of the junior mark are of a lesser quality than the goods of the senior mark;

¹⁷⁰ European Union Intellectual Property Office. *Decision of 26 June 2009 in opposition No R 493 and 538/2008-1 – FIRMAMENT A.S (FIG. MARK) / Viajes FRED.OLSEN*, para 87-88. Identical conclusions of the Office can be found, for example, in European Union Intellectual Property Office. *Decision of 4 June 2009 in opposition No R 893/2008-1 – BARBARIC (FIG. MARK)/ DEVICE OF WALKING FINGERS*, para. 79-80.

¹⁷¹ “It also appears that detriment to the repute of a trade mark for chewing gum is viewed from the perspective of the gum-chewers (who may not be presumed to possess a positive attitude towards smoking), not from the perspective of smokers (who for the most part have a positive attitude towards that practice).”

PHILLIPS, J. *Trade mark law: a practical anatomy*. Oxford: Oxford University press, 2003, para. 11.80.

- The junior trade mark itself is not compatible with the image of the senior mark;
- The goods of the junior mark in principle trigger negative associations.¹⁷²

Although the above mentioned scenarios for the possible occurrence of tarnishment are useful on a theoretical basis, the Office does not seem to analyse under which of these categories the possible infringement might fall. Instead, after concluding on the sufficiency of evidence for establishment of a particular image of the mark in the relative public, the Office analyses its compatibility with the goods marketed by the junior mark and their context of use. For example, the renowned chewing gum and its association with a healthy lifestyle were not found to be compatible with tobacco products in *Hollywood*.¹⁷³

Following the position expressed in the same *Hollywood* decision, the opinion polls are not always considered to be a reliable source for proving the risk of detriment to repute, thus leaving the Office as the main judge to rule on the suitability and compatibility of the goods marketed by the junior mark with the image of the reputed trade mark.¹⁷⁴ Although the position of the Office in most cases does seem to be rather pragmatic and tends to favour owners of luxury brands over imitating products, or medicinal products as opposed to energy drinks, some decisions are

¹⁷² FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 174-187.

¹⁷³ European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*, para. 95.

¹⁷⁴ European Union Intellectual Property Office. *Decision of 25 April 2001 in opposition No R 283/1999-3 – HOLLYWOOD / HOLLYWOOD*, para. 90.

difficult to support. For example, in SpagO/Spa decision, the Board of Appeals did not find alcohol to be capable of conveying a negative image of mineral water.¹⁷⁵

Similarly, it is difficult to see why the association of CHIVAS REGAL whisky with animal food is detrimental to the senior's mark repute, while associating the MERCI trade mark for chocolate with bleaching products does not create the risk of detriment.¹⁷⁶

The Office practice also reveals the tendency to favour the claimants who base their claims on the ground of tarnishment in cases where the goods marked by the senior and the junior marks can be considered, at least on some level or to some degree, to be similar. Such position is not entirely alien to the understanding of tarnishment, since for the junior mark to be detrimental to the senior mark's repute, the consumers of the senior mark must encounter goods marked by the junior mark or likewise, the consumers of the junior mark must be aware of the senior mark in order to be tempted or attracted by the image of the senior mark. For example, in the MERCATOR decision the Office did not confirm detriment to repute partly because "the contested application and the earlier mark designate very different goods and services. Therefore, it is unlikely that the services covered by the

¹⁷⁵ European Union Intellectual Property Office. *Decision of 13 September 2007 in opposition No R 1285/2006-2 – SpagO / SPA*, para. 55. Similarly, it can be highly disputed whether the image of the motorcycle brand can be tarnished by a junior mark used on gambling machines as concluded in:

European Union Intellectual Property Office. *Decision of 3 July 2006 in opposition No R 334/2005-2–DERBY QUEEN / DERBI et al. (FIG. MARK)*, para. 43.

¹⁷⁶ For the discussion see FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 180-181.

contested application would diminish the power of attraction of the earlier marks.”¹⁷⁷

The importance of a relationship of at least some kind between the goods or services marked by the two signs was also supported by the GC in *SPA-FINDERS* – one of the few early decisions dealing with Article 8 (5). The GC concluded that no detriment to reputation of the earlier mark SPA used for non-alcoholic beverages could be inferred from the later mark *SPA-FINDERS* intended to be used for travel agency services because:

“In the present case, SPA and SPAFINDERS designate very different goods consisting, on the one hand, in mineral waters and, on the other, in publications and travel agency services. The Court finds that it is therefore unlikely that the goods and services covered by the mark SPAFINDERS, even if they turn out to be of lower quality, would diminish the power of attraction of the mark SPA.”¹⁷⁸

Again, although differences between goods do seem to be an important factor in evaluating the real harm or its risk in a more realistic scenario, it sits rather at odds with the explicit wording of the former Article 8 (5) the Regulation which primarily secured the protection against detriment in cases of dissimilar goods/services.¹⁷⁹

¹⁷⁷ European Union Intellectual Property Office. *Decision of 16 July 2009 in opposition No R 1031/2008-1 – MERCATOR STUDIOS / MERCATOR*, para. 38-39.

¹⁷⁸ General Court. *Decision of 25 May 2005 in case T-67/04 Spa Monopole, compagnie fermière de Spa SA/NV v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 49.

¹⁷⁹ The position of the Office to require goods or services to be similar at least in some way can be evidenced in many decisions. Such requirement, although in contradiction with the former wording of the provisions of the Directive and the Regulation, can be justified at least in part. It is indeed very difficult to perceive how a completely unrelated product which is meant to be produced in the future and be marked with a sign similar to the reputed mark can be potentially evaluated as having a lower quality and thus damaging the image of the senior mark. See, for example, *Panrico S.A. vs. Dansk Supermarked*, European Union Intellectual

To sum up, the Office practice in oppositions based on the detriment to repute reveal several tendencies. Firstly, tarnishment is only analysed in cases where the Office had already confirmed the reputation of the junior mark and the link between the two marks. The previous discussion on the link showed that the similarity of goods/services plays an important role in establishing this criterion, thus a lack of overlap of consumers between the goods marked by the two marks sometimes does constitute an obstacle for the enforcement of this kind of defence against trade mark registration.

Furthermore, it must be concluded that the image of the mark will be most likely protected where the mark is really very well-known and this image could be transferred even to goods which are not similar.¹⁸⁰ In cases where the goods could be considered similar at least on some level (e.g. distribution channels (alcohol drinks and pet food), compatibility in use (as in water and alcohol) this defence is likely to be granted where the senior mark is not necessarily that widely known.

Thirdly, the additional requirement for the senior mark not only to be reputed but also to have a positive image in the minds of consumers of goods marked by the senior mark limits the scope of applicability for this type of defence in the majority of cases.

Fourthly, the Office treats tarnishment rather strictly and it is difficult for the trade mark proprietors to prove that goods or services applied for by the registration of

Property Office (Opposition division). *Decision of 5 December 2010 in opposition No B 1 537 482 - Panrico S.A. vs. Dansk Supermarked A/S.*, pg. 10.

¹⁸⁰ In *Kenzo v Kenzo Tsujimoto*, the CG concluded the risk of detriment to repute of the Kenzo mark of luxury clothing and perfumes due to later registration of the mark KENZO ESTATE in classes 29 and 31 (among others, olive oil, frozen vegetables, frozen and fresh fruits). General Court. *Decision of 2 December 2015 in case case T-528/13, Kenzo v. Kenzo Tsujimoto*.

the junior mark or their context of use would be detrimental to the repute of the senior mark. This is especially the case, since some arguments in favour of tarnishment (such as, for example, probable low quality of goods applied for registration) cannot be proven at the registration stage. As survey and other type of evidence possibly proving such detriment are not available at the registration stage, this makes the Office the main judge to rule on the occurrence of detriment or its risk. As have been showed above, the result of such practice has led to some decisions which are not necessarily undisputed.

3.2.7 Unfair advantage

Contrary to detriment to distinctive character or repute, the notion of taking unfair advantage of a trade mark's reputation or distinctive character is, at least at first glance, much easier to comprehend. Taking unfair advantage does seem to suggest that somebody is receiving some gain from something into which she/he did not put any effort. Therefore, such gain is considered unfair. The notion of unfair advantage is not part of trade mark legislation in many countries and is not considered to be covered by the original dilution theory of F. Schechter. It was discussed in chapter I that the introduction of protection against unfair advantage in the Directive could have been the result of a failure to reach an agreement in the field of competition law, however the exact scope and purpose of the inclusion of such protection in European law was not revealed by legislators.¹⁸¹ Since Advocate General J. Jacobs delivered his opinion in *Adidas Salomon*, the practice of the Office, the GC and the CJEU continues to refer to the last form of infringement as taking unfair advantage of distinctive character or repute of a trade mark without separating these two types

¹⁸¹ See chapter I.

of infringements.¹⁸² For this reason both types of infringements will jointly be referred to as taking unfair advantage. However, in spite of their common analysis for the purpose of this research, it has to be kept in mind that the two types of injury under the EU law are separate and independent trade mark infringement grounds.

In the case so far concentrating the most on the issue of taking unfair advantage *L’Oreal/Bellure* the CJEU defined taking unfair advantage in the following way:

“As regards the concept of ‘taking unfair advantage of the distinctive character or the repute of the trade mark’, 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 or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.”¹⁸³

The practice of the Office and both EU courts reveals that contrary to detriment to distinctive character, where a new criterion of “change of economic behaviour” of consumers was introduced, or tarnishment where a new requirement to possess a particular positive image was created, requirements and their comprehension in the case of taking unfair advantage remain more or less unchanged. However, the majority of the conclusions which were reached above after an analysis of the Office

¹⁸² Advocate General Jacobs assumed that “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.” Opinion of Advocate General Jacobs in *Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd. Case Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.* delivered on 10 July 2003, para. 39.

¹⁸³ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, para. 41.

practice and case law on the interpretation of dilution and tarnishment can be equally applied to the infringement of unfair advantage.

Firstly, starting from early examples of the application of Article 8 (5) the Office decisions demonstrate that oppositions based on the ground of a possible unfair advantage were in most cases confirmed in instances where goods or services of the mark applied for were similar, complementary or in some way closely related to goods or services marked by the reputed sign. For example, in one of the earliest decisions on this issue, the Office concluded that the contested mark applied for among other classes for cosmetics, leather goods and beauty preparations could take unfair advantage of the earlier mark which was known as a women's magazine which includes articles and advertisement of the goods listed in the opposed application.¹⁸⁴ A similar conclusion was reached in *Cosmopolitan* in which the Board of Appeal concluded that due to a close relationship between applicant's and opponent's goods – cosmetics and a woman's magazine – the reputation of the magazine “could be used as a vehicle for facilitating the sale of the latter [cosmetics produced by the applicant, added] goods.”¹⁸⁵

On the other hand, in numerous decisions the Office did not confirm the applicability of Article 8 (5), based on the argument that the goods which were listed in the opposed application were too dissimilar from the goods marketed under the reputed mark for consumers to be able to establish a link between the two marks and thereby to enable the junior mark to take unfair advantage.¹⁸⁶ On many

¹⁸⁴ European Union Intellectual Property Office. *Decision of 8 February 2002 in opposition No R 472/2001-1 – BIBA / FIGURATIVE TRADE MARK (BIBA)*.

¹⁸⁵ European Union Intellectual Property Office. *Decision of 26 July 2001 in opposition No R 552/2000-4 – COSMOPOLITAN/COSMOPOLITAN COSMETICS*.

¹⁸⁶ See for example, *Martini Fratelli/Maritini*:

occasions no possible transfer of image of the earlier mark was envisaged by the Office. A good example of a decision reflecting the importance of similarity of goods is Emilio Pucci – a famous mark for clothes. In this case the opposition was partly refused due to ability of the reputed marks image to be transferred only to certain goods listed in the application. The Office concluded that consumers would associate the opposed mark with the famous clothing brand Emilio Pucci if it was used for soaps and perfumery, but found no grounds to grant protection as regards goods in classes 1, 2, 4-7, 10, 17, 19 and services listed in classes 37, 40, 44 and 45.¹⁸⁷

Another pattern which can be deduced from the Office decisions is the applicability of the unfair advantage ground in cases where both trade marks are registered for goods aimed at the public at large. For example, in the Focus decision the Board of Appeal did not find the arguments of the opponent – the proprietor of a well-known magazine “Focus” – were enough to rule on the existence of a possible unfair advantage. The reason for such a decision was the fact that the goods for which the mark was applied for “are addressed at a specialized public in the medical field such as physicians or hospital owners. From the perspective of the applicant for such a mark, there is no reason to assume that choosing a mark which, as is the case here, is identical with a mark which is reputed for completely dissimilar goods could

European Union Intellectual Property Office. *Decision of 30 July 2007 in opposition No R 1244/2006-1–MARTINI FRATELLI (FIG. MARK) / MARTINI*, para. 27.

For example, see also European Union Intellectual Property Office. *Decision of 14 April 2008 in opposition No R 1232/2007-1 – G Stor (FIG. MARK) / G-STAR et al.*

¹⁸⁷ European Union Intellectual Property Office. *Decision of 18 June 2009 in opposition No R 770/2008-2 AND R 826/2008-2 – EMIDIO TUCCI (FIG. MARK)/EMILIO PUCCI et al. (FIG. MARK)*, para. 129 and 134.

confer on his own goods any competitive advantage or could render them more attractive in the mind of his potential customers.”¹⁸⁸

Similarly, from the early application of Article 8 (5) the Board of Appeal did seem to be more favourable to opponents where the goods aimed at a specialised group of consumers (e.g. doctors) were nonetheless encountered by the end consumer of the public at large.¹⁸⁹ The importance of general consumer circles to be aware of a reputed mark was also confirmed by GC in *Nasdaq* where the court explicitly concluded that the reputation of the mark “reaches further than the professional public specializing in financial information” and this makes detriment to the mark more likely to occur.¹⁹⁰

For the completeness of analysis it must be admitted that there are rare cases where an unfair advantage is confirmed to exist despite the fact that both of the trade marks are used for goods aimed at a specialised public. However in such cases the goods or services of both trade marks are related in some way.¹⁹¹ Cases where the risk of

¹⁸⁸ European Union Intellectual Property Office. *Decision of 27 January 2009 in opposition No R 1497/2007-4 – FOCUS / FOCUS*, para. 33.

¹⁸⁹ For example, in *Lipostatin*, Office concluded that unfair advantage would be taken of the earlier mark used for medication if it was identifying cosmetic products. European Union Intellectual Property Office. *Decision of 30 November 2001 in opposition No R 1007/2000-1 – LIPOSTATIN / LIPOSTAT*.

¹⁹⁰ General Court. *Decision of 10 May 2007 in case T-47/06 Antartica v Office – Nasdaq Stock Market (nasdaq)*, para. 58.

¹⁹¹ For example in *Nasdaq*, the Office concluded risk of taking unfair advantage of the mark used for the technological stock exchange by the earlier mark used for design, manufacturing and sale of Advanced Composite Materials – ACM, and manufacturing and sale of sportswear – products which involve a large portion of technological innovations.

European Union Intellectual Property Office. *Decision of 7 December 2005 in opposition No R 752/2004-2 – NASDAQ (FIG. MARK) / NASDAQ*.

unfair advantage is established for dissimilar goods aimed at specialised consumer groups are truly exceptional and constitute an insignificant part of the Office practice.¹⁹²

A reading of the above quoted Office decisions infers that an application of the infringement of taking unfair advantage in the majority of cases succeeds if firstly, the reputed mark is known to the public at large, and secondly the mark applied for is intended to be used for goods or services aimed at the same public group. The examples of *Cosmopolitan* and *Focus* – both widely known magazines – decisions discussed above show the importance of similarity of goods in these cases.

Another observation drawn from the analysis of the Office practice relates to the importance of the uniqueness of the reputed mark. The inventive nature of a trade mark is accorded additional consideration, however as in cases of detriment, this cannot be considered a decisive factor. For example in *Nasdaq* the Office confirmed the importance that the trade mark was an inventive word in deciding on opposition. On the contrary in *Focus*, the fact that the mark was widely popular was admitted as a drawback for granting protection. However, in the *Cosmopolitan* case the fact that the trade mark is not inventive and certainly not unique was not found to be an obstacle, just confirming that the primary consideration is given to the nature and similarity of goods.

Similarly, in *Dell* case, the CG concluded that closeness between legal services and technology related to such services must be evaluated. General Court. *Decision of 24 September 2015 in case T-641/14 Alexandra Dellmeier v Office for Harmonisation in the Internal Market (Trade Marks and Designs)*, para. 24.

¹⁹² One of the few examples of such cases which was later affirmed by the court is the judgment - *You-Q*. In this case the image of the BEATLES group was found to be likely to be transferred to wheelchairs. Court of Justice of European Union. *Decision of 14 May 2013 in case C-294/12 P - You-Q v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*,

As already discussed in previous chapters regarding detriment, the actual standard of proof under Article 8 (5) is not entirely clear. Although on many occasions the CJEU and the Office restate *Intel's* rule that the proprietor of the earlier mark is not required to demonstrate actual and present harm to his mark, but he must adduce prima facie evidence of a future risk, which is not hypothetical, of an unfair advantage or detriment, analysis of practice revealed that the strength of reputation and similarity of goods are viewed as the most important factors in establishing possible infringement.

In the majority of decisions where no unfair advantage or its risk was concluded to exist, the opponent was found to have presented no evidence or insufficient evidence of the alleged infringement. However, in cases where an unfair advantage was found to be applicable, the exact evidence or their amount which sufficed for the final decision is usually far from clear. In numerous decisions the Office concludes very briefly on the reason for possible unfairness. For example, in LIPOSTATIN the Office confirmed unfair advantage because of matching distribution channels of applicant's and opponent's goods (cosmetic products and medicine respectively) and earlier mark's reputation.¹⁹³

The succinct nature of the argumentation on concluding applicability of Article 8 (5) was brought to the attention of the GC and later the CJEU in the *Botox* case. The applicants of trade marks BOTOLIST and BOTOCYL argued that the Board of Appeal failed to provide reasons for possible detriment and unfair advantage being taken of the earlier mark BOTOX. The GC agreed with the appellants that the Office's reasons were provided in a very terse manner, however did not find this to be a sufficient argument for the annulment of the decision. In the appeal proceedings

¹⁹³ European Union Intellectual Property Office. *Decision of 30 November 2001 in opposition No R 1007/2000-1 – LIPOSTATIN / LIPOSTAT*, para. 18.

the CJEU not only admitted that the arguments of the Board of Appeal were succinct but also ruled that the appellants had every opportunity to dispute these reasons.¹⁹⁴ The decision clearly shows that the decisions of the Office and both courts are based not on the amount of evidence or its importance but rather an overall assessment of the facts, the most important of which being the level of reputation of the earlier marks, similarity of goods and closeness of their distribution channels. As Han Lu put it:

“Once a link between the marks is established, based on their similarities and the substantial reputation of the earlier mark, then whatever the respective goods, free riding will usually follow. The nature of the unfair advantage must nevertheless be established. But where the mark is so famous and enjoys values of such universal application as freedom, youth and mobility, risk of injury characterised by the drawing of a benefit by the owner of the new mark from the earlier mark is virtually a foregone conclusion, particularly where it is recognised that such benefit is derived from reduced risk and advertising costs normally associated with the launching of a new mark.”¹⁹⁵

Although the latter two circumstances coincide with those analysed in applying the two types of detriment, the application of unfair advantage is to a large extent conditional upon another factor – the intent to take unfair advantage.

The most thorough analysis of the importance of intent in applying infringement of taking unfair advantage was revealed by the CJEU in *L’Oreal/Bellure* where the court ruled that “where a third party attempts, through the use of a sign similar to a

¹⁹⁴ Court of Justice of European Union. *Decision of 10 May 2012 in case C-100/11 P. Helena Rubinstein SNC and L’Oréal SA v Office for Harmonisation in the Internal Market (Trade Marks and Designs) (Office)*, para. 116-117

¹⁹⁵ LU, H. Apple squashes Beetle. *Entertainment Law Review*. 2012, No 23(6), pg. 185-187.

mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, [...] the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark”¹⁹⁶

The *L’Oreal/Bellure* decision clearly revealed that an attempt to take advantage qualifies it as unfair. The pre-*L’Oreal/Bellure* practice of the Office and the GC also confirms that the intention to take advantage or even knowledge of an earlier mark played an important role in deciding on the fairness and legality of later sign’s use. In most of the decisions referred to in this chapter, the Office confirmed the applicability of the unfair advantage ground in cases where an applicant was believed or known to:

- be aware of the earlier mark (e.g. in Nasdaq where minutes of company’s board meeting confirmed knowledge of co-existence of identical mark) or;
- be willing to transfer the image of the earlier mark to the junior sign (e.g. in Cosmopolitan where the producer of cosmetics was clearly aware of the popular magazine and its cosmetics advertising practice) or;
- have chosen the later sign similar or identical with reputed mark without any reasonable grounds (e.g. in Botox where the later signs of Botocyl and Botolist were chosen by the applicant for cosmetics although the products did not contain botulinum).

The practice of the Office has been confirmed in the recent case of CJEU in the *Coca-coca* decision. By concluding that the earlier mark is likely to take an unfair

¹⁹⁶ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, para. 49.

advantage of the senior mark the court ruled that the case law allows account to be taken “of any evidence intended to facilitate that analysis of the probabilities as regards the intentions of the proprietor of the trade mark applied for, and – a fortiori –any evidence relating to the actual commercial use of the mark applied for.”¹⁹⁷

The evidence the court referred to is the website in which the products marked by the later mark are sold. The conclusion of the court is quite debatable as the court opened the door for proving unfair advantage on the basis of the use of the later mark rather than the consequences of the link between the two marks. Implications of the decision will have to be evaluated carefully in order not to overlap the protection of trade mark law and unfair competition law. However, one conclusion has been confirmed unambiguously – intent forms one of the key elements in proving unfair advantage.¹⁹⁸

In such cases the importance of level of reputation and similarity of goods undisputedly remains important however the existence of intent does seem to be very important in concluding on “riding on the coat tail” of the senior mark. Additionally, an intent to take advantage allows classifying it as an unfair advantage as the analysis of this element of the provisions is almost never debated in the Office decisions.

Lastly, it must be noted that one more interesting interpretation aspect of unfair advantage was revealed in the latest case law. In *L’Oreal/Bellure* the Court of Appeal of England and Wales asked for a preliminary ruling and referred a question

¹⁹⁷ General Court. *Decision of 11 December 2014 in case T-480/12 The Coca-Cola Company v. Modern Industrial and Trading Investment Co. Ltd.*, para. 88.

¹⁹⁸ However, it must be noted that in some cases the Office confirms existence of unfair advantage without requiring an opponent to prove intent. See, e.g. European Union Intellectual Property Office. *Decision of 4 November 2016 in opposition No R 1958/2015-2 – V&F, S.L/ Osborne Distribuidora, S.A.*

to the CJEU which, in essence asked whether unfair advantage under Article 5 (2) (current Article 10 (2) (c)) could be established where:

- (a) the essential function of the registered trade mark of providing a guarantee of origin is not impaired or put at risk;
- (b) there is no tarnishing or blurring of the registered trade mark or its reputation or any risk of either of these;
- (c) the trade mark owner's sales are not impaired; and
- (d) the trade mark owner is not deprived of any of the reward for promotion, maintenance or enhancement of his trade mark;
- (e) but the trader gets a commercial advantage from the use of his sign by reason of its similarity to the registered mark.

The above reference is important for several reasons. To start with, it was the first time the CJEU had to rule on the criterion of unfair advantage on its own. Although in previous decisions dealing with provisions on reputed marks advocate generals and the court itself had confirmed that proof of harm or its risk under one of the three types of infringement of the article is sufficient for its applicability, the relationship between detriment and unfair advantage under Article 10 (2) (c) of the Directive was not determined. Secondly and most importantly previous case law had not shed any light on the relevance of harm to the trade mark functions and trade mark proprietor in applying the defence of unfair advantage. The latter aspect is also important in explaining why the intent and desire to take advantage play such an important role in declaring the advantage to be unfair.

The answer of the court not surprisingly confirmed the independence of unfair advantage from applicability of confusing similarity and detriment and acknowledged that this type of infringement does not in fact require any damage to the trade mark or its proprietor but could be established if:

“party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark’s image. (emphasis added)”¹⁹⁹

After *L’Oreal/Bellure* it became clear that unfair advantage can be applied in cases where there is no harm to the trade mark and its proprietor. This raised a question on how can this ruling be reconciled with the classic theory of trade mark law according to which trade mark can only be protected where one of the functions of the mark has been impaired.

Regarding this question, the practice of the Office reveals that the application of unfair advantage in the majority of cases does not involve a complex analysis of a possible impairment of trade mark functions. As it was discussed above, usually finding unfair advantage is conditional upon a high reputation of earlier mark, similarity/substitutability of goods or services concerned and a possible intent of the applicant to save costs and gain advantage without investment.

L’Oreal/Bellure ruling triggered discussions on the overly wide protection of Article 5 (3) (a). Because the court admitted functions of advertising and investment protection to all trade marks, it also became clear that the exact scope of functions protected under Article 5 (1) was not clear, thus rendering the question of the relationship between protection against confusion and unfair advantage open.²⁰⁰

¹⁹⁹ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, para. 50.

²⁰⁰ It is also worth remembering that in *L’Oreal* the court even went as far as to conclude that a use which of an identical sign which cannot be prohibited due to the lack of infringement of any trade mark functions, could however be thwarted on the basis of Article 10 (2) (c).

Advocate General Mengozzi, contrary to the ruling of the court itself, did raise the question of functions protected by both provisions and claimed that “gradual development in the case-law of the concept of protection under Article 5 (1) (a) of trade mark functions other than as a guarantee of origin raises a number of important questions, including in particular that of identifying what those functions are and, in addition, the question of ascertaining how such protection may be reconciled and consistent with the protection granted to well-known trade marks, under Article 5 (2) of the directive”, however avoided an in depth analysis of the issue.²⁰¹

Even more interestingly, the Advocate General did conclude that the application of Article 5 (1) is not possible if none of the trade mark functions are impaired, however found that such condition does not render the applicability of Article 5 (3) (a) impossible.²⁰²

After the ruling scholars argued that by acknowledging functions other than the indication of origin to current Article 5 (1), the CJEU blurred the boundaries between the protection against confusion and the protection against taking unfair advantage under current Article 5 (3) (a) of the Directive. Some commentators even expressed the opinion that by broadening the interpretation of Article 5 (1) (b) the court acted outside its competence because it assigned protection to advertising and investment functions, which under the former version of the Directive were optionally protected by member states under the reputed mark provisions, to all the

²⁰¹ Opinion of Advocate General Mengozzi in *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, delivered on 10 February 2009.

²⁰² Ibid.

marks. Thereby the former optional additional protection of Article 5 (2) (current Article 10 (2) (c)) became mandatory by the expanded scope of Article 5 (1).²⁰³

Some commentators raised awareness that unlimited protection against free-riding could impede competition and should not be endorsed without a careful evaluation on possible free competition conditions.²⁰⁴

²⁰³ For example Martin Senftleben argues that :

“The Court lowered the threshold under Art. 5 (2) TMD substantially by stating that - in the absence of damage - a mere attempt to ride on the coattails of a mark with a reputation can be sufficient to assume that unfair advantage has been taken.⁸ The bastion of infringement criteria, therefore, was abandoned. The Court, however, did not content itself with this surrender. In addition, it held that besides the essential origin function, a trademark's quality, communication, investment and advertising functions enjoyed absolute protection under Art. 5 (1) (a) TMD.⁹ With this holding, the Court clearly trespassed the boundary lines drawn in the Directive. Communication, investment and advertising are typical functions of marks with a reputation. The protection of these functions is optional under Art. 5 (2) TMD. By including these functions in the mandatory Art. 5 (1) (a) TMD, the Court eroded the freedom left to EU Member States.“

SENFLEBEN, M. Trade mark protection - a black hole in the intellectual property galaxy? *International Review of Intellectual Property and Competition Law*. 2011, No 42 (4), pg. 383-387.

²⁰⁴ For example Daniel L. Bereskin argued that:

“The second criticism is related to the first. The TMD does not sufficiently stress the right of the public and other traders to enjoy freedom of competition. This is indicated, for example, by the fact that a trademark owner may be entitled to relief against free-riding even if it is unable to prove any actual or likely financial harm.

Third, the limits of the free-riding provisions of Article 5(2) are sketchy. Any law that has the potential for impeding honest competition should be very carefully defined so that the boundaries of such rights are as clear as possible. In contrast, the boundaries of Article 5(2) are vague: what is unfair to one person may be perfectly reasonable to another, as evidenced in the radically different views of the ECJ and the U.K. Court of Appeal in L'Oreal.”

BERESKIN, D. L. Anti-dilution/anti-free-riding laws in the United States, Canada, and the EU: bridges too far? *The Trademark Reporter*. 2011, November-December, pg. 1754.

In *Interflora* both the Advocate General and the CJEU did find it necessary to touch upon the question of trade mark functions in applying unfair advantage. Advocate General Jaaskinen did admit that the relationship between the functions protected under Article 5 (1) and 5 (3) (a) has become very complicated and that the CJEU is faced with a complicated issue, specially, in the light of criticism after *L'Oreal/Bellure*, however explicitly avoiding deeper analysis at the beginning of his opinion.²⁰⁵

From the position of the CJEU in *L'Oreal/Bellure* which was later supported in *Interflora* and *Coca-cola* and seems to have been established in the practice of the Office even before these three rulings, an injury of unfair advantage must be understood to occur if a later user of a sign intends to ride on the coat tails of the senior mark or/and to use its reputation or distinctive character. An act of unfair advantage is not qualified by either an infringement of trade mark functions or the feature of unfairness. Following the *L'Oreal/Bellure* decision an injury of unfair advantage could as well be named 'taking advantage' as the precondition of unfairness is not required to be proven. Any advantage taken of a mark is considered unfair provided it was intended to be taken.²⁰⁶ Such position is not only incompatible with the doctrine of the CJEU requiring an infringement of at least one trade mark functions for the trade mark law protection to be applicable but also raises a question of a relationship between taking unfair advantage and due cause. The problematic relationship between taking unfair advantage and due cause first of all lies in the fact that following the wording of Article 8 (5) due cause should be

See also GANGEY, D. and BURRELL, R. Because You're Worth It: L'Oréal and the Prohibition on Free Riding. *The Modern Law Review*. 2010, No 73 (282), pg. 282-285.

²⁰⁵ Opinion of Advocate General Jääskinen in *Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*, delivered on 24 March 2011, para. 7-9.

²⁰⁶ Such understanding of unfair advantage was also expressed by the Court of Appeal (of England and Wales) in the referring case. See chapter 3.3.5

used to justify an act which is already concluded to be unfair. Thus invoking possible due cause should have been interpreted by the court as being subject to the conclusion that any advantage which was taken was not unfair. As the court did not follow this road of interpretation and acknowledged that any intended advantage automatically is considered unfair, the use of due cause could be deduced as not applicable to the infringement of taking unfair advantage at all. However, as the next chapter will reveal, the situation is not quite that clear.

After the analysis of application of unfair advantage by the Office, the GC GC and the CJEU, concluding remarks can be made.

Firstly, the last infringement type of Article 8 (5) by the Office is usually confirmed to be established where the earlier mark has a reputation for goods aimed at the public at large or which extends beyond goods for which it is registered and goods listed in the application for the junior mark are similar or share distribution channels or other marketing specificities.

Secondly, unfair advantage will most likely be found if the applicant was aware of the earlier mark or he was proven to have intended to use the reputation of the known mark. The overall criteria for establishing unfair advantage are not clear and mostly depend on the circumstances just mentioned above.

Furthermore, the case law of the CJEU regarding unfair advantage conveys that the required impact of the allegedly illegal use under Article 10 (2) (c) of the Directive or Article 8 (5) of the Regulation on the trade mark functions is basically non-existent. Taking unfair advantage is determined mainly by intent of the junior user, leaving a qualifying factor of unfairness almost inapplicable.

3.2.8 Due cause

Articles 5 (3) (a) and 10 (2) (c) of the Directive state that the use of a junior sign might be opposed at the registration stage or its use prohibited if the mark has a reputation in the Member State and where use of that sign without due cause takes

unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. The construction of the provision is not entirely clear as to whether a defence of due cause can be applied only to justify taking unfair advantage, or whether it can apply to all the four types of injuries listed in the provisions. In *Leidseplein Beheer* it has been acknowledged that the concept of a due cause is not defined in the Directive. The CJEU did not find an issue of applicability of due cause problematic and found it to be applicable both to taking unfair advantage and to determent:

“Where the proprietor of the mark with a reputation has demonstrated the existence of one of the forms of injury referred to in Article 5(2) of Directive 89/104 and, in particular, has shown that unfair advantage has been taken of the distinctive character or the repute of that mark, the onus is on the third party using a sign similar to the mark with a reputation to establish that he has due cause for using such a sign.”²⁰⁷

Although the court does seem to have confirmed the applicability of due cause to all the three infringements listed in Article 10 (2) (c), the exact meaning and scope of the concept of “due cause” remains in a need of a further clarification. The construction of the Directive would suggest that due cause should be confirmed to exist at least in cases mentioned in Article 14 of the Directive (used in a course of trade name, indication of types of goods etc.). However, the court did not have a chance to rule on the relationship between Article 14 and 10 (2) (c) so far.²⁰⁸

²⁰⁷ Court of Justice of European Union. *Decision of 6 February 2014 in case C-65/12 Leidseplein Beheer BV, H.J.M. de Vries v Red Bull GmbH, Red Bull Nederland BV.*, para. 44.

²⁰⁸ For possible examples of due cause and a discussion, see JEHORAM, T. C.; van NISPEL, C.; HUYDECOPER, T. *European Trademark Law*. Wolters Kluwer, 2010, pg. 317-320.

Regarding other possible grounds of due cause which fall outside the trade mark law, CJEU had a chance to elaborate on them only in cases of unfair advantage. Firstly, the court in the *L’Oreal/Bellure* and *Interflora* judgments had a chance to elaborate on a relationship between the trade mark law and unfair competition law. In the former case the court came to the conclusion that advantage gained due to comparative advertising which is inconsistent with fair competition rules must be considered as an act of taking unfair advantage of the reputation of the mark.²⁰⁹

The systematic analysis of *L’Oreal/Bellure* suggests several conclusions. To start with, the court evaluated that any intentional act to ride on the coat tails constitutes taking unfair advantage. Such conclusion would suppose that the analysis of the compliance of a use of the reputed mark with unfair competition laws could be discussed in a context of a possible due cause as it follows after the determination of the infringing act itself. However, the above quoted passage seems to suggest that non-compliance with the provisions of unfair competition laws constitutes unfairness rather than an absence of due cause. Such outcome brings about a question as to whether compliance with competition law could render any advantage fair even if it was taken intentionally and with a desire to ride on the coat tails. The conclusion that unfair competition laws can fall within the ambit of

In *Dell* and *Kenzo* decisions the applicants tried to invoke a right to use a name as due cause, however the CG rejected this argument without clarifying the relationship between previous personal rights and rights of reputed marks.

General Court. *Decision of 22 January 2015 in cases T-393/12 Kenzo Tsujimoto v Office for Harmonisation in the Internal Market (Trade Marks and Designs)* and General Court. *Decision of 24 September 2015 in case T-641/14 Alexandra Dellmeier v Office for Harmonisation in the Internal Market (Trade Marks and Designs)*.

²⁰⁹ Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*.

fairness rather than due cause could also be supported by paragraphs 60-64 of the same judgment in which the court stated that although the compliance with the provisions of comparative advertising directive preclude the application of Article 10 (2) (b) because such compliance renders the infringement of any functions of the mark impossible, it does not necessarily preclude the application of Article 10 (2) (c). Such interpretation of the court could mean that although comparative advertising directive can constitute a due cause for the purpose of Article 10 (2) (b) it cannot render Article 10 (2) (c) inapplicable as the use of a sign in advertising constitutes unfairness of the advantage.

Obviously such interpretation of *L'Oreal/Bellure* is undesirable as it would misbalance the relationship between the two directives of the same legal power and render an action legal under the Misleading and Comparative Advertising Directive potentially infringing Article 10 (2) (c) of the Directive. A different and more desirable interpretation classifying unfair competition law as a possible due cause was confirmed by the CJEU in the *Interflora* and *Leidseplein Beheer* cases.

In *Interflora*, the CJEU seems to have confirmed the *L'Oreal/Bellure* rule that any riding on the coat tails is unfair, however, it stated that such unfair advantage can be justified by due cause.²¹⁰ Furthermore, the court concluded that compliance with unfair competition rules may constitute due cause for the purpose of Article 10 (2) (c) of the Directive.²¹¹

In a later *Leidseplein Beheer* ruling the CJEU provided a definition of due cause by stating that it must be understood as encompassing not only objectively overriding

²¹⁰ Court of Justice of European Union. *Decision of 22 September 2011 in case C-323/09 Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*, para. 79.

²¹¹ Court of Justice of European Union. *Decision of 22 September 2011 in case C-323/09 Interflora Inc. and Interflora British Unit v Marks & Spencer plc and Flowers Direct Online Ltd.*, para. 91.

but also subjective reasons from a third party. In explaining how such a definition should be understood, the court ruled that:

“[...] the claim by a third party that there is due cause for using a sign which is similar to a mark with a reputation cannot lead to the recognition, for the benefit of that third party, of the rights connected with a registered mark, but rather obliges the proprietor of the mark with a reputation to tolerate the use of the similar sign.”²¹²

The court repeated that competition can constitute an objective reason for a use of a mark and then moved to the analysis of the possibly subjective aspect.

Here it seems the CJEU again has confused unfairness and due cause by stating that the second condition for such a subjective due cause, the first being recognition of a sign by the relevant public, is honest intention of the user of such sign (in this case an example could be that ‘The Bulldog’ was used for energy drinks before the mark ‘Red Bull Krating-Daeng’ acquired its reputation).²¹³

In essence the justification for an unfair advantage following the *Leidseplein Beheer* case can be summarised to be applicable if the user of a sign similar to the reputed mark started using the sign prior to the registration of the mark, relevant public at which products marked by the sign identify the goods with the sign and goods marked by the sign at the start of its use and the goods marked by the reputed mark are in some way similar. This last condition is extremely worrying as the CJEU seems to suggest that a user of an unregistered sign has a right to expand the use of the sign to goods which are already marked by the reputed mark, provided he had used a sign on related goods earlier than the application for the mark. If one agrees

²¹² Court of Justice of European Union. *Decision of 6 February 2014 in case C-65/12 Leidseplein Beheer BV, H.J.M. de Vries v Red Bull GmbH, Red Bull Nederland BV.*, para. 46

²¹³ Court of Justice of European Union. *Decision of 6 February 2014 in case C-65/12 Leidseplein Beheer BV, H.J.M. de Vries v Red Bull GmbH, Red Bull Nederland BV.*, para. 58.

with the court's position it would not only mean that proprietors of reputed marks are not able to object use of similar signs on similar (in a wider sense) type of goods, but also that a right to expand use of a sign is not reserved for reputed marks but also for unregistered signs.

An issue of a possible subjective due cause was also touched upon in the *Specsavers* decision. The issue in this case concerned use by a third party of a colour which was known to represent the owner of a reputed mark in combination with the mark itself to promote similar goods (eyeglasses). The question arose whether the fact that the defendant has been associated with the colour by which the trade mark proprietor is also associated is relevant for the purpose of establishing unfair advantage. The question was even more problematic due to the fact that the particular colour was not a feature of a reputed trade mark registration but was simply used by its proprietor. The CJEU supported the proposition of the Commission to treat this question as an issue of due cause rather than unfair advantage itself.²¹⁴

In this case the court again seems to imply that business practice can constitute due cause to the use of a reputed mark. In the *Specsavers* decision, this issue is less controversial as a use of the disputed colour was also not registered as part of a reputed mark. If, however, it would have been the case, such interpretation of a possible due cause would be rather unwelcome as it prioritizes business practice over a registered trade mark right.

After above discussed decisions several conclusions on due cause can be made. Firstly, the definition of unfair advantage provided by the CJEU is itself not correct as any intention to take advantage is admitted to be unfair thus almost eliminating this element from the concept of taking unfair advantage. As a result, the application of due cause has become very troublesome as it has to justify something which is

²¹⁴ Court of Justice of European Union. *Decision of 18 July 2013 in case C-252/12 Specsavers International Healthcare Ltd and Others v Asda Stores Ltd.*, para. 40.

already found to be unfair. The court should either not have equalled the intention to take advantage to unfair advantage and constituted that due cause is not applicable to cases where unfairness of advantage was already proven or should have followed the proposition of a AG Mengozzi in *L’Oreal/Bellure*.²¹⁵

Secondly, the result of this confusion is also evidenced in the CJEU position, where the court seems to mix the issue of unfairness and due cause. This argument is equally applicable to both possible objective and subjective grounds of due cause.

Lastly, the court will have to find a way to move forward with this issue as presently compliance with unfair competition rules constitutes due cause but is still considered unfair under Article 10 (2) (c), thus moving a burden of proof of due cause on the junior user. This is not in compliance with the general principles of EU law as both the Directive and Misleading and Comparative Advertising Directive are the instruments of the same legal power and an action allowed under one of them should not be perceived as unfair thus requiring establishment of a legitimate proof for the behaviour.

3.3 Conclusions

The analysis of the Office practice and case law of the GC and CJEU performed in this chapter enables us to summarise the effectiveness and legal certainty of applying EU provisions on reputed trademarks.

²¹⁵ AG suggested that after the fact that advantage was taken the defendant should prove due cause and only if it was proven the proprietor of the reputed mark should show unfairness of the advantage. Opinion of Advocate General Mengozzi in *L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, delivered on 10 February 2009, para. 105.

Such proposition is also more logical than a road followed by the CJEU, however it requires a double burden of proof for a reputed mark owner – firstly to show advantage, secondly to prove unfairness.

Firstly, it must be concluded that the Office and both EU courts have contributed immensely to the interpretation and clarification of the terms used in Article 8 (5) and 9 (2) (c) of the Regulation and respective provisions of the Directive.

From the first reading a very wide reaching protection was limited to a large extent by restrictive case law. Although the CJEU did provide a rather generous interpretation of requirements for reputation in *General Motors*, *Adidas Salomon* and *Pago*, the Office limited this interpretation by narrowing down possible understanding of consumers at which goods are aimed and raising the standard of proof in proceedings.

On the other hand, the CJEU did cause confusion as regards applicability of the protection by failing to elaborate on a required level of similarity between the marks and by introduction of a new concept of link. As the former concept following the *Ferrero* and *Golden Balls* decisions was not allowed to be interpreted by taking into consideration the reputation of a mark, the Office focused on the similarity of goods as being the most important factor for establishing a link. Such position also counterbalanced possible floodgates for an extremely wide applicability of Article 8 (5) allowing protection against similar and identical goods which was opened by the *Davidoff* case and later confirmed by the legislative changes.

On the other hand, in interpreting the last three elements of the provisions on reputed marks – detriment to distinctive character and repute and taking unfair advantage – the CJEU did not exercise its restrictive interpretation evenly.

As regards the detriment to distinctive character, an extremely strict criterion of change of economic behaviour of consumers was introduced. The latest decision of the issue *WOLF JARDIN* is extremely worrying as it requires interpreting the new concept objectively, which possibly implies the requirement of a loss of will to buy or to pay a particular price from the consumer's point of view. Although the exact repercussions of the *WOLF JARDIN* case still will have to be applied by the Office the post-*Intel* case law shows that the Office and the GC try to soften the

requirement by applying it only to cases of similar goods. Such softening is required as the ground of detriment is successfully relied on in very few cases, most of which involve truly famous marks, or similar goods and rarely is ever found to be applicable as a “stand alone” clause. However, due to the strict requirements for finding reputation, satisfying existence of the link and applying detriment to distinctive character, the majority of cases of successful reliance of this infringement ground are based on circumstances which could be invoked in applying protection against confusion.

Although a key ruling on detriment to repute is still missing from the case law of the CJEU, an analysis of the Office and the GC cases suggests that tarnishment is confirmed to be applicable in cases where a reputed mark’s proprietor has succeeded in conveying upon the public a particular image of the mark, rendering the criterion of reputation in such cases qualitative rather than purely quantitative. Although detriment to repute does seem to be a more comprehensible notion, its application in isolation from blurring and unfair advantage grounds is rare, thus rendering the standard of proof and sufficiency of evidence questions open for discussion. Furthermore, requirement of the Office and the GC for the goods and services to be similar at least in some way and to be known to the public at large triggers the same conclusion as in cases where there is protection against blurring. If consumers can associate the later mark with the earlier sign, in most cases such use falls under the ambit of protection against confusing similarity. This is especially the case after the *Interflora* judgment, in which all trade marks were acknowledged to be entitled to have protection of advertising and investment functions.

However in *L’Oreal/Bellure* the CJEU did widen the scope of applicability for unfair advantage by removing the requirement to infringe at least one trade mark function or incur harm to the mark, leaving the question of the role of infringement of trade mark functions open. The practice of the Office and the GC proves that unfair advantage is successfully invoked in cases where goods aimed at the public

at large are similar at least in some way and where the proprietor of the earlier mark intended to gain advantage from the reputed mark – circumstances which satisfy the requirements of unfair competition laws.

The issue of unfair advantage from due cause point of view also has showed that the former concept is itself construed in a wrong way. As after the *L'Oreal/Bellure* interpretation any intent to take advantage automatically constitutes unfair advantage, this infringement type should be defined as taking advantage as opposed to the present concept of “unfair advantage”. Such construction would allow logically applying due cause to such actions. On contrary, in the present situation the CJEU does invoke comparative advertising and fair competition rules as due cause to actions which already are found to be unfair. Such position of the CJEU is very unfortunate.

The general conclusion which is valid for all three infringement types is that proprietors of reputed marks are most likely to succeed in opposing later trade mark applications or requesting an injunction against their use if the earlier mark is used for goods or services which are, if not similar, then at least complementary, or share similar distribution channels. However, one has to remember that under such circumstances trade mark proprietors do have a strong right to defend their marks either under the confusion provisions (especially after the confusion by association became part of the EU law) or unfair competition. Cases where trade mark protection is invoked against truly dissimilar goods are quite rare and in all cases involve a marks reputation that is so wide that its use on virtually any class of goods could lead the consumers to establish a link.

4 Chapter III – Protection of reputed marks in the United Kingdom

4.1 Introduction

An analysis of the effectiveness of the protection of reputed marks would not be complete and thorough without the inclusion of the UK's perspective on this matter. This jurisdiction is of significant importance to this research for several reasons. Firstly, contrary to the pre-Directive period of the Benelux and German law, the UK legislation did not provide protection against the use of later trade marks which potentially could infringe the distinctiveness of an earlier trade mark without causing confusion. Furthermore, traditionally the UK courts have favoured a cautious approach towards a wide protection of trade marks and were reluctant to accept other functions of trade marks besides the well-established function of indicating origin. Thirdly, the latest references for preliminary rulings to the CJEU from the UK courts and later national judgments applying an interpretative understanding of the Luxembourg case law reveal that the approach to the expanded protection for reputed marks is applied in the UK courts and the UK IPO with strict reservation and some doubt.

In order to review the effectiveness of the protection of reputed marks this research will analyse the practice of the UK IPO Trade mark registry (or the UK IPO), appeals decided by Appointed Persons and courts under Article 5 (3) of the UK Trade Marks Act, and the practice of the UK courts in applying Article 10 (3) of the same act (herein after – UK TMA). For convenience each element of the said provision will be discussed separately. The chapter will be completed by an analysis of the importance of the traditional UK defence against passing-off and its relationship with and impact on the protection system for reputed marks.

4.2 The Trade Marks Act 1938

In the pre-harmonisation period trade marks in the UK were regulated by the Trade Marks Act of 1938. The act did not provide for the notion of reputation, however an exception to the principle of specialty was defined in Article 27 of the Act. This provision provided for a defensive registration which enabled the proprietors of well-known marks to register their mark for any goods or services unrelated to the goods and services for which the well-known mark was actually used. The defensive registration was not subject to invalidation on the grounds of lack of use, Article 27 (1) provided that:

“Where a trade mark consisting of an invented word or invented words has become so well-known as respects any goods in respect of which it is registered and in relation to which it has been used that the use thereof in relation to other goods would be likely to be taken as indicating a connection in the course of trade between those goods and a person entitled to use the trade mark in relation to the first-mentioned goods, then, notwithstanding that the proprietor registered in respect of the first-mentioned goods does not use or propose to use the trade mark in relation to those other goods and notwithstanding anything in the last foregoing section, the trade mark may, on the application in the prescribed manner of the proprietor registered in respect of the first-mentioned goods, be registered in his name in respect of those other goods as a defensive trade mark and, while so registered, shall not be liable to be taken off the register in respect of those goods under the last foregoing section.”²¹⁶

²¹⁶ Article 27 (1) of the Trade Marks Act 1938.

The practice of the UK IPO Registry and case law based on Article 27 reveals that this provision was rarely used and did not have any practical implications on the pre-harmonisation of the trade mark legal system.²¹⁷

Very few cases dealing with defensive registration being invoked as a ground for an infringement under Article 4 of the Trade Marks Acts of 1938 prove that additional protection for well-known marks required three main conditions for successful application.²¹⁸ Firstly, the well-known mark had to be distinctive. Secondly, the later sign had to be used on goods or services which in the minds of consumers could be in some way related to the proprietor of the well-known mark. Lastly, to successfully invoke this provision, the opponent was required to show at least confusion by association, as the term is understood in the post-harmonisation case law. These conditions are the same as for all trade mark infringement procedures under Article 4. The conditions were summarised by Lord J. Evershed in the *Ferodo* case in 1945:

“Thus, in the present case, it is in my opinion necessary to show that the word "Ferodo" has become so well-known in its application to goods of a specific kind, that is, brake and clutch linings and the like (originating in fact from the applicants), that its use in relation to "other goods" in classes 5 and 34 - for example, when applied to a bottle of aspirin tablets or a packet of cigarettes - would be likely to lead persons buying or observing those "other goods" - for example, the aspirin tablets or the cigarettes - to suppose that they too originated from the same persons

²¹⁷ Ilanah Simon Fhima analysis of Amand Michael's "A Practical Guide to Trade Marks" in FHIMA, I. S. Same name - different goods - death of the principle of specialty in FHIMA, I.S. *Trade mark law and sharing names: exploring use of the same mark by multiple undertakings*. Cheltenham: Edward Elgar publishing, 2009, pg. 113-114.

²¹⁸ Article 4 set right given by the registration of a mark.

who made and marketed Ferodo brake and clutch blocks and linings, namely, the applicants.”²¹⁹

This short historical detour reveals that the British system in the pre-harmonisation era did not provide much protection for well-known marks beyond the principle of specialty where no confusion could be established. Although Article 27 of the Trade Marks Act 1938 did provide for the additional protection against dissimilar goods or services, the potential infringement was being evaluated on the basis of the traditional confusion test.

4.3 Elements of Articles 5 (3) and 10 (3) of the Trade Marks Act 1994

The Directive was transposed into the UK law by the Trade Marks Act which came into force on 31 October 1994. Article 5 establishes relative grounds for refusal and provides that:

“A trade mark which—

(a) is identical with or similar to an earlier trade mark,

shall not be registered if, or to the extent that, the earlier trade mark has a reputation in the United Kingdom (or, in the case of a European Union trade mark [or international trade mark (EC)], in the [European Union]) and the use of the later

²¹⁹ High Court of Justice (Chancery Division). *Decision of 16 May 1945 in case Ferodo Ltd.*

In the same decision Lord J. Evershed also helpfully illustrated the importance of the types of goods for which a well-known mark and an early mark are registered and their importance in concluding on the alleged infringement:

“the events of the past five and a-half years have, for the whole British people save to very small infants and a few idiots, made the word "Spitfire" familiar in their mouths as a household word, but familiar as a description of an aeroplane. If a manufacturer of toothpaste were to describe one of his products as "Spitfire toothpaste" I should find it difficult to suppose that to any purchaser of the toothpaste the name would indicate a connexion in the course of trade between the toothpaste and the aircraft manufacturers.”

mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.”

A similar wording of the provision dealing with rights of trade mark proprietors is found in Articles 10 (3) and 10 (6) of the TMA.²²⁰

4.3.1 Reputation

The Directive as well as the TMA which was implemented by it does not provide a definition of the notion of “reputation”. Early explanations of the meaning of reputation in the UK IPO Register and courts were guided by the CJEU in the *General Motors* and subsequent cases. As mentioned above, the UK trade mark legal system did not provide for a notion of reputation before the implementation of the Directive, therefore there were no problems in reconciling national and European terms.

²²⁰ The Trade Marks Act 1994.

(3) A person infringes a registered trade mark if he uses in the course of trade [, in relation to goods or services,] a sign which—

(a) is identical with or similar to the trade mark,

where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

(6) Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

But any such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

The gradual practice in applying the requirement of reputation in the UK institutions however reveals several differences with the position supported by the Office or the CJEU.

The first clearly identifiable feature of the UK decisions is the importance of the actual use in the respective territory of the trade mark. The requirement to use the trade mark, and subsequent possibility of invalidation of the trade mark's registration based on the ground of non-use, is found in the Directive (Article 19) and in the Regulation (51(1) (a)). However, the importance of use of a trade mark which is invoked in the application of Articles 5 (3) or 10 (3) not only lies in a possible challenge of invalidity of registration, it is also extremely important in concluding on the existence of reputation. As a starting point of knowledge within the public concerned, the UK competent institutions scrutinise the use of the mark within the territory of the UK (in the case of national trade marks) or of the EU (in the case of European Union trade marks). Simple statements of boards of companies or annual revenues from particular products are always viewed from a territorial point of view. In numerous decisions the UK IPO found that the requirement of use in the relevant territory was not met due to a lack of clarity on the particular geographical origin of evidence. Furthermore, evidence of reputation in the EU was found not to be sufficient to support the existence of reputation in the UK in the case of national marks.²²¹ For example, in the *CB v. CCB International* decision the UK IPO Register concluded that “whilst it is not disputed that the

²²¹ For example this rule was recently confirmed in STRELLSON. UK Intellectual Property Office. *Decision of 12 September 2012 in opposition No O/341/12 by STRELLSON AG against DAVID BELL-GAM.*

“As the application is for the UK only, it is necessary to consider the establishment of reputation in the UK. Any reputation that the marks may have within the EU generally is not evidence of reputation in the UK.”
Para. 35 of the decision.

opponent's customers include banks based in the UK, I have been unable to conclude that this translates into use in the UK by those banks rather, than use in continental Europe."²²²

Even trade marks known by a general consuming public as CB are not spared from a thorough analysis of the evidence regarding the particular territory of use of the mark within the UK.

The second feature of the decisions regarding the applicability of the reputation criteria is an extremely important role of the use of a mark in relation to particular goods and services. Although the requirement to establish reputation is equally important in the Office proceedings, the UK IPO Register pays much more attention to evidence regarding the possible presence of reputation as regards not only each class of goods for which the mark is registered but also to each good listed under the particular class of goods. Such scrutiny is not visible within the reasoning of the Office decisions or the Luxembourg courts. As a result, each group of goods or services for which the reputed mark is registered is reviewed from an evidential perspective and reputation is confirmed to exist, or dismissed, with regards to each of them.²²³ Such scrutiny sometimes results in cases where truly famous marks

²²² UK Intellectual Property Office. *Decision of 3 October 2013 in opposition No O/396/13 by GROUPEMENT DES CARTES BANCAIRES against CHINA CONSTRUCTION BANK CORPORATION.*

²²³ Even in decisions dealing with marks as famous as Apple, the reputation of each group of goods is judged independently, taking into consideration actual use in the territory of the UK. In the Apple v. Wapple decision, however exceptionally the reputation was found with regards to some goods (computer), with potential to expand to other related goods:

“Owing to the enormous reputation of AI in relation to computer and Internet technology, the effect of the reputation cannot be rigidly compartmentalised. The reputation would, at the dates of application, have had an effect upon the average consumer in relation to anything involving computer and Internet technology”

manage to confirm the existence of reputation only regarding part of their services despite the truly diverse nature of the company's activities.²²⁴ The same rule applies in the case of truly famous marks for use on goods which are marketed only as collateral or souvenir objects.²²⁵ The importance of reputation as regards particular goods or services was confirmed by the Appointed Person in *Unite*, where Anna Carboni ruled that:

“The notional legal person through whose eyes, ears and minds the requirement of detriment to repute must be assessed is the average consumer of Group's services for which the earlier trade marks are registered and have a reputation<...> (emphasis added)”²²⁶

The importance of use of the mark in relation to specific goods in the relevant territory is closely related to the establishment of reputation for the same goods. As a result of non-use in a respective territory even such products as the iPhone were

UK Intellectual Property Office. *Decision of 1 February 2012 in opposition No O/036/12 by APPLE Inc. against WAPPLE.NET LIMITED*, para. 52.

²²⁴ The best example of such analysis is the Virgin opposition, in which the opponent managed to prove reputation in a wide range of activities fields, however failed to establish public knowledge as regards the Virgin Green Fund which was mostly related to the opposition proceedings. See UK Intellectual Property Office. *Decision of 3 October 2012 in opposition No O/375/12 by VIRGIN ENTERPRISES LIMITED against MICHAEL CASEY*.

²²⁵ For this reason, the reputation of Mercedes Benz was not established in relation to clothing in *DaimlerChrysler AG. v Alavi (t/a Merc)*. High Court of Justice (Chancery Division). *Decision of 26 January 2000 in case DaimlerChrysler AG. v Alavi (t/a Merc)*,

²²⁶ UK Intellectual Property Office. *Decision of 22 May 2013 in opposition No O/219/13 by UNITE THE UNION AGAINTS CONSOLIDATED BY THE UNITE GROUP PLC*.

not found to possess reputation in spite of popularity and use of the mark in other countries at the time.²²⁷

In spite of a stricter view on establishing reputation for particular goods, the threshold requirement for applicability of Articles 5 (3) and 10 (3) can be concluded to be similar to the decisions of the EU institutions. In cases of marks which are known to the public at large, the existence of reputation can even be inferred from evidence of use of the mark without specific evidence on the knowledge threshold. For example, in *Audi v Audi-Med*, the court confirmed reputation of the mark AUDI as regards motor cars based purely on evidence of use and without having been supplied by any evidence supporting the claim of reputation.²²⁸

However, contrary to evidence presented before the Alicante office and the GC, UK institutions place more weight on witness statements and surveys – elements which play an important role in evaluating the presence of all requirements within the discussed provisions. Regarding the latter element it must be pointed out that survey evidence in the UK courts plays an important role in the factual evaluation of the case. In order to be admissible, the survey evidence must be conducted by competent, impartial authorities. Survey respondents must adequately represent the relevant group of consumers. The questions must be non-leading and must properly reflect trade conditions. These criteria that are far from easy to meet.²²⁹

²²⁷ UK Intellectual Property Office. *Decision of 1 February 2012 in opposition No O/036/12 by APPLE Inc. against WAPPLE.NET LIMITED.*

²²⁸ UK Intellectual Property Office. *Decision of Opposition 6 July 1998 in opposition No O/140/98 by AUDI AG. against AUDIO MEDICAL DEVICES LTD'S.*

²²⁹ The position of UK courts on the admissibility of survey evidence is also considered by commentators, see, e.g. SMITH, J and BURKE, S. Court of Appeal says no to survey evidence again: *Interflora Inc v Marks & Spencer PLC*. *European Intellectual Property Review*. 2013, No 35 (7), pg. 420-421.

Nonetheless, in spite of the harsh scrutiny of survey evidence by the courts, this type of evidence is heavily relied upon by litigating parties to prove almost all the elements of Articles 5 (3) and 10 (3).²³⁰

4.3.2 Establishing a link

As was discussed in chapter II, EU law did not provide an explanation on how similar the marks must be for the application of Article 5 (3) (a) or Article 10 (2) (c) of the Directive. Furthermore, the introduction of a term “link” by the CJEU also left the question open as how to prove this element of the EU provisions and how to separate it from the issue of trade mark similarity.

Early applications of Articles 5 (3) and 10 (3) reveal a struggle of the UK courts to accept the wide protection of reputed marks. Regarding the issue of the level of similarity between the marks, the case law predating the *Sabel* ruling clearly indicates that the position of acceptability of wider protection for reputed marks caused judges to split into two groups. The first group maintained that the confusion test was the only ground for trade mark infringement, therefore the two marks must be confusingly similar, while the second group approached the issue more flexibly and did not impose a confusion requirement for the application of these articles.²³¹ Illustration of the former approach is found in *Baywatch production* where the court

²³⁰ The UK courts criticised almost all surveys presented before them, nonetheless most of survey evidence still does receive substantial analysis from judges and does have an important role in proceedings. Good examples of high standards for survey evidence: *Whirlpool Corp v Kenwood Ltd.*, (Chancery Division) and *Specsavers International Healthcare Ltd v Asda Stores Ltd.*, Court of Appeal (Civil Division). For the discussion on the matter see also SMITH, J. and SOUTHERDEN, M. UK: trade marks - infringement and unfair advantage. *European Intellectual Property Review*. 2010, No 32 (12), N105-108.

²³¹ For more on the early applicability of protection for reputed marks see, for example, MICHAELS, A. Confusion in and about sections 5(3) and 10(3) of the Trade Marks Act 1994, *European Intellectual Property Review*, 2000, No 22 (7), pg. 335-339.

ruled that “it would be illogical for section 10 (3) to give greater protection in relation to non-similar goods or services, by dispensing with the ingredient of a likelihood of confusion, than the protection for similar goods under section 10 (2).”²³²

A similar position was confirmed in *BASF v. CEP (UK)*.²³³ On the contrary, in *British Sugar* it was accepted that there is a possibility of applying Article 10 (3) even though there is no likelihood of confusion as to trade origin.²³⁴

In *Pfizer Ltd v. Eurofood Link (UK) Ltd.* the judge found that proof of confusion was not required for the application of Article 10 (3) as well.²³⁵ It is also important to note that the UK IPO Register did not require confusion for the application of Article 5 (3) and did maintain that an association between the marks was sufficient.²³⁶ However, the association required by hearing offices (e.g. in *Inlima*), referred to a misconception by the consumers of the trade connection, which would in principle amount to confusion by association.

²³² High Court of Justice (Chancery Division). *Decision of 31 July 1996 in case Baywatch Production Co Inc. v Home Video Channel.*

²³³ High Court of Justice (Chancery Division). *Decision of 26 October 1995 in case BASF Plc v CEP (UK) Plc.*

²³⁴ High Court of Justice (Chancery Division). *Decision of 7 February 1996 in case British Sugar Plc v James Robertson & Sons Ltd.*

²³⁵ High Court of Justice (Chancery Division). *Decision of 10 July 1999 in case Pfizer Ltd. v Eurofood Link (UK) Ltd.*

²³⁶ See early decisions such as UK Intellectual Property Office. *Decision of 28 September 1999 in opposition No O/340/99 by VISA INTERNATIONAL SERVICE ASSOCIATION against CA SHEIMER (M) Sdn. Bhd.*

As regards method of evaluating similarity of marks, the UK system must be concluded to follow the guidelines of the CJEU and establishes similarity based on aural, visual and conceptual similarities and requires no separate discussion.

Another issue relevant for the analysis of application of a link criterion in the UK is the “importance of global appreciation” test, after it’s proclaim in *Canon*, in cases based on confusing similarity. Traditionally, the UK courts had employed a step by step approach which precluded analysis of possible applicability of infringement of confusion, if preceding elements of the relevant provision were not found to exist.²³⁷ A good example of this approach is the *British Sugar* decision mentioned above where Jacob J did not engage in the discussion of possible infringement after the signs were found to be not similar enough for confusion infringement.²³⁸

The use of the global appreciation test mandated by the CJEU in *Canon*, *Sabel*, and *Lloyd Schufabric* allowed the UK courts and the IPO Register to pay attention to the overall facts of the case. At this stage it is important to note that the British legal system did not accept the guidelines in *Canon* and *Sabel* easily. In *Merc* Mrs Justice Pumfrey stated that:

“There is a greater likelihood of confusion with very distinctive marks (*Sabel*, *Canon*, *Lloyd*). This is a very surprising proposition (and perhaps only a presumption of fact, since this cannot be a legal issue), since normally it is easier to distinguish a well-known word mark from others close to it. But it seems to me to

²³⁷ For the analysis see *Understanding the Evolution of Intellectual Property Law* [interactive. Checked on 14 Janu 2014]. Available at: <<http://www.lawteacher.net/company-law/essays/understanding-the-evolution-of-intellectual-property-law-company-law-essay.php#ftn54>>.

²³⁸ High Court of Justice (Chancery Division). *Decision of 7 February 1996 in case British Sugar Plc v James Robertson & Sons Ltd.*

make more sense when one comes to consider device marks. I have difficulty understanding how it can affect the similarity of goods, but that is the law.”²³⁹

The enhanced interpretation of the confusion infringement which resulted from an inclusion of association and the global appreciation test in the overall assessment of the possible confusion test was not compatible with the traditional UK approach to trade mark protection.

However, in spite of this resistance, gradually the global appreciation test has influenced the UK legal system and made its mark. Although, in the *British Sugar* ruling the court, following the traditional step by step approach, did not find any similarities between sugar and desert topping and syrups in the *Viagra* decision most likely the European influence led the judge to rule that Viagra medication could be associated with a herbal drink.²⁴⁰

Gradually, the judicial system did accept the importance of reputation and other factors for evaluation of the possible confusion.²⁴¹

²³⁹ High Court of Justice (Chancery Division). *Decision of 26 January 2000 in case DaimlerChrysler AG. v Alavi (t/a Merc)*.

²⁴⁰ High Court of Justice (Chancery Division). *Decision of 10 July 1999 in case Pfizer Ltd. v Eurofood Link (UK) Ltd.*

²⁴¹ High Court of Justice (Chancery Division). *Decision of 24 January 2003 in case Intel Corp v Sihra*.

“Clearly, the strength and reputation of the earlier mark is likely to play a pivotal role in determining whether the new mark will cause confusion in the mind of the average consumer. But that possibility (however strong the earlier mark) is obviously at its highest in cases where the goods in question are identical or very similar. When one gets to more marginal cases, the likelihood of confusion inevitably diminishes. Some marks (as recognised in *British Sugar*) may be so uniquely strong as to override almost any lack of similarity in the goods or services under scrutiny. But if the statutory requirement for similarity prescribed by s 5(2) is not to be diluted to a point beyond recognition, then one needs to be careful in such cases to avoid straining the concept of similarity in order to accommodate what might be regarded as the unfair use of a well-established mark. The remedy for such cases, as I have already indicated, lies in s 5(3).”

Although, the lack of similarity of goods continued the preclusion of a further analysis of applicability of Articles 5 (2) or 10 (2), especially in cases where the mark has low distinctive character, the global appreciation test and wider interpretation of confusion allowed to accommodate more cases, most likely forcing the courts to entertain an even more rigid approach towards the additional protection of reputed marks. As the UK system was required to accommodate more cases under the confusing similarity protection and to apply the same global appreciation test for an issue of a link, cases falling under Articles 5 (3) or 10 (3) focused mainly on a similarity between goods or services marked by the senior and junior marks as will be discussed in the preceding chapter. In cases where UK IPO analysis the issue of a link did not focus on similarity of goods, such analysis indicated to mix the question of similarity and a link together. For example, in the *Deutsche Telecom* opposition the issue of reputation and similarity of marks was discussed together and the link was found not to exist due to high difference between the compared marks.²⁴²

Similarly in *Pallete* comments in relation to the similarity of marks also lead to conclude to cause the average consumer to bring the applicant's mark to mind.²⁴³

Such position is hardly surprising, as chapter II revealed that the CJEU position in *Ferrero* requiring a separation between the issue of similarity of marks and the link is not only incomprehensible, but also very difficult to apply. Although the *Ferrero* case is rather new and its influence on separating an evaluation of similarity of marks and a link will still have to be implemented by member states, so far the UK

²⁴² UK Intellectual Property Office. *Decision of 21 October 2011 in opposition No O/363/11 by DEUTSCHE TELEKOM AG against SK TELECOM CO., LTD.*

²⁴³ UK Intellectual Property Office. *Decision of 15 February 2012 in opposition No O/060/12 by PASS J HOLDINGS LIMITED against BENJAMIN OLIVER SPENCER*, para. 51.

legal system does not find it important to draw a separation line between these two questions.

The UK perspective on a question of a link can also be very clearly induced from the referral to the CJEU in *Intel* case. The Court of Appeal of England and Wales clearly indicated that in its opinion stronger and more reputed marks contrary to the guidelines of the Luxembourg courts should be considered less capable of causing a link, in consumers' minds as strong marks are better remembered and saved in consumers' memory. Furthermore, following the opinion of the court the establishment of a link requires:

“to take into account: (a) whether, having regard to the nature of the goods or services for which the later mark is used, the average consumer would consider that there is an economic connection between the owners of the two marks, and (b) whether the distinctiveness or repute of the earlier mark for the goods or services for which it is registered is really likely to be affected if the later mark is used for the specific goods or services covered by its registration.”²⁴⁴

As the above quoted passage reveals, the UK system still envisages an issue of a link as a question of confusion by association equalling its establishment to a perception of a possible licensing agreement. Furthermore, in its second point the court suggests evaluating possible harm to the mark at the stage of establishing a link by this, clearly indicating that the question of what exactly a link is, is not yet clear to the UK system. The practical importance of the first point for the UK case law of the citation is discussed below.

²⁴⁴ Court of Appeal (Civil Division). *Decision of 15 May 2007 in case Intel Corp Inc v CPM United Kingdom Ltd.*, para. 36.

4.3.3 Similarity between goods and services and establishment of a link

Application of the global appreciation test required particular attention to goods or services under Articles 5 (3) and 10 (3). Prior to the *Davidoff v Gofkid* ruling the wording of the provisions on reputed marks were interpreted as requiring goods and services marked by the reputed marks to be dissimilar to the ones marketed by the earlier sign. Such a position was hardly surprising due to literal wording of the relevant provisions of the EU legislation. Pre *Davidoff v Gofkid* case law reveals that the UK courts did not consider the provision of the EU legislation to be so ambiguous as to allow possible inclusion of similar goods. For example, in the *Premier Brands* ruling Justice Neuberger clearly listed the conditions for Article 10 (3) to apply: a) mark is used in the course of trade, b) both marks are similar, c) later sign is used in relation to goods which are not similar to those for which the mark is registered, d) earlier mark has a reputation in the UK, and e) later mark is used without due cause and it's use takes unfair advantage of; and/or is detrimental to the distinctive character or the repute of the registered mark.²⁴⁵

Similarly the UK IPO Register did not see any reason to engage in discussions on the scope of this seemingly clear provision and required goods or services to be dissimilar.²⁴⁶

In spite of the fact that goods and services for the purposes of applying Articles 5 (3) and 10 (3) had to be dissimilar, it is striking that the test for establishing a link in cases before and after *Davidoff v Gofkid* remains almost the same. Early case law required the relevant public to believe that the proprietors of the two signs are associated in some way in order to establish a link between the two signs. In more

²⁴⁵ High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd.*

²⁴⁶ UK Intellectual Property Office. *Decision of 13 November 2000 in opposition No O/415/00 by ORACLE CORPORATION against MULTICORE SOLDERS LIMITED.*

practical terms this requirement meant that consumers of goods marked by both signs had to overlap at least to a degree. For example, in the *Inlima* opposition, the hearing officer found that the reputation of the Adidas trade mark for sport shoes extended well beyond sport fans and was established at the public at large which allowed it to conclude that a link between the Adidas shape mark and three dimensional mark for an alcohol bottle could be established.²⁴⁷ Similarly, in *Premier Brands* Neuberger J concluded that some consumers of TYPHOON tea would establish a link with a similar trade mark TY. PHOO for kitchenware because there existed a close link between the types of goods. The amount of consumers establishing such a link did not have to be significant.²⁴⁸

On the other hand in *Pebble Beach*, the court was not able to conclude on a possible association between golf and whisky because Lord Menzies was not satisfied:

“that in this regard the averments of an association in the public mind between golf and whisky are sufficiently specific, particularly when it appears that there are also links between golf and motor cars, banks, cigarettes, credit cards, telephone service providers, watchmakers and others.”²⁴⁹

After the guidelines in *Adidas v Gofkid* came from the Luxembourg court, more cases and oppositions were submitted based on the relevant provisions protecting reputed marks. However, the assessment of a possible link in the minds of consumers remained similar – there had to be sufficient similarity of goods or services for consumers of both marks to overlap at least to a certain degree. In cases

²⁴⁷ UK Intellectual Property Office. *Decision of 7 July 1999 in opposition No O/188/99 by ADIDAS AG. against INLIMA S.L.*

²⁴⁸ High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd.*

²⁴⁹ Court of Session (Outer House). *Decision of 6 September 2002 in case Pebble Beach Co v Lombard Brands Ltd.*

where the overlap of consumer circles can be established – the possibility of a reputed brand extending its activities in the field of the goods marked by the opposed sign remains crucial. Recent decisions of the UK IPO Register and Appointed Persons show that the standard of proof for the possible association from the consumers’ point of view remains very high. As in case of the confusion test, the UK IPO does not seem willing to allow a global appreciation test to grant a monopoly over words for reputed trade mark proprietors. In most cases, reputed marks which enjoy an average level of knowledge within the relevant consumer group are not likely to succeed in precluding registrations or use of similar marks for dissimilar goods.²⁵⁰

As an outcome of such approach, even brands which are very diversified struggle to justify a possible link between the marks, which results in companies such as Virgin – owing reputed trade marks in fields from airlines to wines – not being able to rely on Article 5 (3) against goods in classes 6, 17 or 45 because “the goods and services are completely alien to the businesses that have traded under VEL’s trade marks.”²⁵¹

The *Virgin* example is the best instance of the reserved position regarding a possible link between the marks even for companies that are truly diverse in their activities. Not surprisingly companies that own truly famous trade marks for more specialised

²⁵⁰ In the recent *Renaissance* decision, the UK IPO clearly concluded on the importance of closeness between the goods and degree of reputation. UK Intellectual Property Office. *Decision of 27 March 2013 in opposition No O/139/13 by RENAISSANCE HOTEL HOLDINGS, INC against RAJESH TALWAR.*

²⁵¹ UK Intellectual Property Office. *Decision of 3 October 2012 in opposition No O/375/12 by VIRGIN ENTERPRISES LIMITED against MICHAEL CASEY*, para. 156. The decision was reached in spite of the fact that Virgin already held registrations for trade marks featuring the term in classes – 06,07,11, 16,17,19,36,36,37,41,42,45.

activities encounter even higher requirements for proof in establishing a link with dissimilar goods.²⁵²

As a concluding remark on the practice of establishing a link it can be noted that, the UK case law and UK IPO practice shows that the concept of a link needs further clarification as it is often perceived in conjunction with a question of similarity of goods or as imposing the requirement of confusion by association. After the implementation of the Directive, the UK system was required to accept the global appreciation test and a more flexible approach towards establishing confusion. Repercussions of the new approach were especially visible in new and more relaxed standards for evaluating similarity of goods. The influence of the global appreciation test for applying confusion and consequently encompassing more cases under this type of infringement most likely influenced rather strict requirements for establishment of a link in the case of dissimilar goods for the purposes of Articles 5 (3) and 10 (3) by requiring some features of similarity between the goods.²⁵³

²⁵² For example in recent opposition *INDUSTRIA DE DISEÑO TEXTIL SA (INDITEX SA) against ZAINAB ANSELL AND ROGER ANSELL* to register a figurative mark *TANZANIA ZARA ADVENTURES*, ZARA trade marks were found not to establish a link with the later sign sought to be registered for travel services. *Decision of 18 July 2001 in opposition No O/248/11 by INDUSTRIA DE DISEÑO TEXTIL SA (INDITEX SA) against ZAINAB ANSELL AND ROGER ANSELL*, para. 50.

²⁵³ Some commentators even notice that the UK courts tends to be unwilling to find similarity of the two signs if goods are truly dissimilar thereby limiting the possibility of successful reliance on additional protection even further. For example, Claire Howell argues that:

“We can see that the court when addressing even the first question, whether a sign is similar to the registered trademark, find that the goods in questions are an important factor in establishing similarity of the signs. If the goods or services are not similar people will be less likely to make a connection. Hence if there is a claim under section 10(3) where the goods will always be dissimilar, it is less likely that the sign itself will be held to be similar to the mark than if the goods were similar.” HOWELL, C. Tea and Viagra. *Entertainment Law Review*. 2001, No 12(1), pg. 32-36.

4.3.4 Detriment to distinctive character

As was mentioned previously, in the period of pre-harmonisation, the British system did foresee the possibility of protecting well-known marks against use on dissimilar goods, however such possibility was not widely used and in principle remained rather alien to the legal mind-set. After the implementation of the Directive and introduction of protection against detriment to distinctive character the UK IPO and courts started applying the norm with extreme caution and remained careful not to grant a broad monopoly to trade mark proprietors.

As discussed above, after the TMA came into force, the UK courts did struggle to make their mind up as to whether confusion was required for the application of Articles 5 (3) and 10 (3). After the case law was settled on this point, the courts drew up a list of factors which were to be considered for the possible establishment of detriment to distinctive character. In *Oasis Stores* Allan James concluded that protection of reputed marks is not aimed at preventing use of any mark, however requires an analysis of degree of detriment which can potentially be caused. In determining this, several factors such as - inherent distinctiveness and extent of the reputation of the earlier trade mark; range of goods or services for which the earlier mark enjoys a reputation; uniqueness of the mark in the market place and relationship between goods and services marked by both signed and whether the earlier trade mark will be any less distinctive for the goods/services for which it has a reputation than it was before - should be considered.²⁵⁴

The same list of criteria in 1999 was accepted by the IPO Registry in the *Audimed* case, however, here a requirement of similarity of the respective marks was

²⁵⁴ UK Intellectual Property Office. *Decision of 6 April 1998 in opposition No O/081/98 by OASIS STORES LTD. against EVER READY PLC.*

included.²⁵⁵ It can be seen that global evaluation of all factors of this case was suggested to be applicable in determining existence of detriment.

The pre-*Intel* cases show similarities with the Office position in *Cosmopolitan* that detriment can be justifiably established where goods of both trade marks share distribution channels or in cases where the advertising of the junior mark uses the senior mark for this purpose.²⁵⁶ Establishing detriment in cases of truly dissimilar goods proved to be even more challenging, even when applying the list of factors approach and following the global appreciation test.²⁵⁷

However, this rather restricted approach towards the issue resulted in a failure to argue detriment even in cases of similar goods which are closely related and,²⁵⁸ as envisaged by the passage above, share distribution channels, for example kitchenware and tea.²⁵⁹ A constrained position regarding protection against detriment can be read from the Court of Appeal's referral to the CJEU, where Jacob J expressed reservations on the scope of protection:

²⁵⁵ UK Intellectual Property Office. *Decision of Opposition 6 July 1998 in opposition No O/140/98 by AUDI AG. against AUDIO MEDICAL DEVICES LTD'S.*

²⁵⁶ UK Intellectual Property Office. *Decision of 21 January 2000 in opposition No O/009/00 by VALUCCI DESIGNS LIMITED against I.P.C. MAGAZINES LIMITED* and later confirmed by Patents Court (Chancery Division). *Decision of 22 September 2000 in case LOADED Trade Mark.*

²⁵⁷ UK Intellectual Property Office. *Decision of Opposition 6 July 1998 in opposition No O/140/98 by AUDI AG. against AUDIO MEDICAL DEVICES LTD'S.*

²⁵⁸ High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd.*

²⁵⁹ However, in some cases detriment was found to be likely occur without clear explanation of the particular reasons. A good example of such a decision is *Visa* in which the hearing office found detriment to distinctive character. UK Intellectual Property Office. *Decision of 28 September 1999 in opposition No O/340/99 by VISA INTERNATIONAL SERVICE ASSOCIATION against CA SHEIMER (M) Sdn. Bhd.,* pg. 20.

“Consider Schechter's example of Rolls-Royce. If that trade mark were used for pants (the American word for trousers) I suppose these days some members of the public might speculate that there is some sort of licensing arrangement. I do not say they would—that would depend on an investigation into the facts. If they really did, then it could well be that Art.5 (2) would apply.”²⁶⁰

Taking into consideration the rather flexible position of CJEU on the link, it is hardly surprising that the Court of Appeal in *Intel* found it useful to provide its own answers to the questions referred to the CJEU. The court felt that a global appreciation of the detriment situation required to take into consideration at least the following factors:

- (i) whether the “pulling power” of the earlier mark for its specific goods or services was really likely to be affected by the use of the later mark for its specific goods or services;
- (ii) whether the user of the later mark was likely to get a real commercial advantage from its use for its specific goods or services by reason of the repute of the earlier mark for its specific goods or services;
- (iii) whether, if the earlier mark was unique, it really mattered that it was used for the dissimilar goods or services of the later mark;
- (iv) where the later mark was not the same as the earlier mark what difference that would make on the average consumer and in particular whether there was merely a calling to mind of the earlier mark;

²⁶⁰ Court of Appeal (Civil Division). *Decision of 15 May 2007 in case Intel Corp Inc v CPM United Kingdom Ltd.*

- (v) whether the economic behaviour of the average consumer in relation to the earlier mark when used for its goods or services was likely to be affected;
- (vi) how inherently distinctive the earlier mark was; and
- (vii) how strong the reputation of the earlier mark for its goods or services was.²⁶¹

One can see that the list of criteria proposed by the Court of Appeal in *Intel* differs substantially from the test employed in *Oasis Stores*. The *Intel* test comprises two criteria - economic advantage for the earlier mark - and economic behaviour of consumers, which were not present in the earlier list. Both criteria became extremely important in the post-*Intel* case law.

²⁶¹ Following questions were referred for the preliminary ruling:

“For the purposes of Art.4(4)(a) of the First Council Directive 89/104 of December 21, 1988 , where:(a) the earlier mark has a huge reputation for certain specific types of goods or services;(b) those goods or services are dissimilar or dissimilar to a substantial degree to the goods or services of the later mark;(c) the earlier mark is unique in respect of *any* goods or services; and (d) the earlier mark would be brought to mind by the average consumer when he or she encounters the later mark used for the services of the later mark,

are those facts sufficient in themselves to establish (i) “a link” within the meaning of and of *Case C-408/01 Adidas-Salomon AG v Fitnessworld Trading Ltd* [2004] Ch. 120; [2003] E.C.R. I-12537 and/or (ii) unfair advantage and/or detriment within the meaning of that Article?

(2) If no, what factors is the national court to take into account in deciding whether such is sufficient? Specifically, in the global appreciation to determine whether there is a “link”, what significance is to be attached to the goods or services in the specification of the later mark?

(3) In the context of Art.4(4)(a) , what is required in order to satisfy the condition of detriment to distinctive character? Specifically, does: (i) the earlier mark have to be unique; (ii) is a first conflicting use sufficient to establish detriment to distinctive character; and (iii) does the element of detriment to distinctive character of the earlier mark require an effect on the economic behaviour of the consumer?”

Court of Appeal (Civil Division). *Decision of 15 May 2007 in case Intel Corp Inc v CPM United Kingdom Ltd.*

After the *Intel* ruling of the CJEU the UK IPO and courts placed a lot of emphasis on the requirement of a change in the consumers economic behaviour and contrary to the Court of Appeal ruling, which saw this requirement as an integral part of global appreciation, demand for this type of evidence as a prerequisite for successful reliance on Articles 5 (3) and 10 (3).

There are some divergences regarding the meaning of this requirement. Some courts require that an actual change in buying habits should be established.²⁶²

In other cases, a possible association between the proprietors of the two marks, which according to the understanding of the author, equals to confusion by association, is found to be sufficient to predict the change in economic behaviour.²⁶³

The most direct and practical evaluation of a possible change in consumers' economic behaviour can be encountered in the *Whirlpool v Kenwood* case. The case concerned an alleged infringement by Kenwood of Whirlpool's trade mark for the "Kitchen Aid" device. The Court of Appeal evaluated extensive survey evidence and statements by witnesses in order to conclude if consumers were likely to change their economic behaviour. The court concluded that it "would have been difficult to conclude that it [the surey, added] did make out a case of any strength in favour of

²⁶² High Court of Justice (Chancery Division). *Decision of 12 April 2013 in case 32Red Plc v WHG (International) Ltd.*

²⁶³ UK Intellectual Property Office. *Decision of 12 February 2013 in opposition No O/066/13 by CITIBANK N.A. AND CITIGROUP INC. against HUNTSWORTH PLC.*, para. 159.

Similarly in opposition by Land Rover against Bauer Consumer Media Limited to register a trade mark Land Rover Owner International the register did not find a change in economic behaviour likely to occur due to long concurrent use of the trade mark Land Rover and the applied mark and lack of evidence of such change up until the opposition. UK Intellectual Property Office. *Decision of 7 January 2014 in opposition No O/002/14 by LAND ROVER against BAUER CONSUMER MEDIA LIMITED.*

saying that the economic behaviour of a relevant average consumer would be influenced in any significant way in favour of Kenwood by the person being reminded of the KitchenAid.”²⁶⁴ The court found that survey evidence did not prove that a decision of potential buyers of stand mixers would be affected by similarities between the two marks.

Evidently, the judge would have only been convinced of a possible change of economic behaviour if witnesses had expressly confirmed that they had decided to buy the product of the defendant as a result of the similarity between the two marks – an onus of proof which seems to be overly burdensome and inexpedient.

In the later *Enterprise* decision, which also concerned protection of a similar sign by a competitor, the court also confirmed that change of economic behaviour, although potentially inferable from the changed perception of the mark in the eyes of consumers, needs to be proved by something more than a mere speculation by the court.²⁶⁵

Lastly, in *Cristal* the UK court confirmed that change in economic behaviour in cases of similar or substitutable goods can be proven if the court is satisfied that the users of the senior mark will buy it less due to the use of the junior sign.²⁶⁶ The *Cristal* decision is one of the few examples in which the court granted protection to the exclusiveness and prestige of the reputed mark acknowledging that these were

²⁶⁴ Court of Appeal (Civil Division). *Decision of 23 July 2009 in case Whirlpool Corp v Kenwood Ltd.*

²⁶⁵ High Court of Justice (Chancery division). *Decision of 13 January 2015 in case Enterprise Holdings, Inc. v Europcar group UK limited and Europcar International Sasu*, para. 221.

²⁶⁶ “But Mr Malynicz submitted, and I accept, that Roederer do not have to show that people will buy CRISTALINO cava instead of CRISTAL champagne – only that they will buy less CRISTAL champagne if the name cease to be linked with luxury and prestige.” High Court of Justice (Chancery division). *Decision of 6 October 2015 in case Champagne Louis Roederer v J. Garcia Carrion S.A., Asda Stores Limited and WM Morrison Supermarkets PLC.*, para. 87.

the features which drove the consumers of the reputed mark to over pay of the product in the first place. However, it has to be noted that in the same decision the court also confirmed the existence of confusing similarity between the two marks.

The overview of cases after the *Intel* decision prove that in the majority of cases proving detriment to distinctive character has become even more difficult with the new requirement of establishing at least a possible change in the economic behaviour of consumers. However, in some instances exceptions do occur and change in economic behaviour is confirmed to be likely to exist from overall circumstances of the case, especially where the similarity of goods can be found to exist, as illustrated in the *Apple v Wapple* opposition:

“Taking into account, the reputation and uniqueness of the APPLE mark and the nature of the respective goods and services for which AI has a reputation, the similarity of the trade marks and the nature of the similarity; it is considered that the use of WN’s trade mark would have an effect on the economic behaviour of AI’s customers and would dilute the distinctive character of AI’s trade mark.”²⁶⁷

An interesting repercussion on the issue of the possible establishment of detriment to distinctive character came from the *Interflora* CJEU ruling, which rightly was perceived by the referring court in its final judgment as meaning that Interflora failed to substantiate the claim because the origin function of the mark is not affected.²⁶⁸

²⁶⁷ UK Intellectual Property Office. *Decision of 1 February 2012 in opposition No O/036/12 by APPLE Inc. against WAPPLE.NET LIMITED*, para. 192.

²⁶⁸ High Court of Justice (Chancery Division). *Decision of 21 May 2013 in case Interflora Inc v Marks & Spencer Plc.*

Although such interpretation does solve the problem of establishing a change in consumers' economic behaviour as it is always present in cases of existing confusion, such approach equals protection against detriment to an additional element of confusion infringement thus leaving the question open as to the purpose of Article 10 (2) (c) of the Regulation.²⁶⁹

The analysis of practice in applying detriment to distinctive character brings about several conclusions. Firstly, although the requirement of confusion for the application of Articles 5 (3) and 10 (3) of TMA was renounced, the application of the additional protection to reputed marks was seen as exceptional and was rarely granted against use on truly dissimilar goods. Secondly, the UK IPO and courts have used a list of criteria to evaluate which in essence requires global appreciation of the circumstances of the case and among other factors takes into account which goods the senior mark enjoys reputation for and whether the goods or services of the junior mark are in any way related, thereby effectively requiring some level of similarity between the goods and bringing such evaluation closer to the test of confusion by association. Thirdly, the requirement of *Intel* to prove change in economic behaviour of consumers does not enjoy a uniform interpretation among courts and varies, from a mere assumption of the change, to an evaluation of actual behaviour of surveyed witnesses. Lastly, it can be concluded that the guidance in the *Interflora* ruling was implemented by the Court of Appeal as meaning that no detriment to the distinctive character can be established unless a prior adverse effect on the origin function was confirmed to exist, thus leaving the meaning and distinction of the protection against detriment to distinctive character as unclear as

²⁶⁹ Interestingly, the Court of Appeal did not engage in the discussion on the applicability of detriment to distinctive character after concluding on the existence of confusing similarity. The judge assumed that there is no adverse effect on the origin function of the *Interflora* trade marks for purpose of analysis of Article 9 (2) (c).

ever, however most likely implying that the UK system will continue to require objective evidence of detriment such as actual change in buying habits

4.3.5 Detriment to repute

As in case of the Office, the UK IPO practice and case law of the courts reveal that detriment to distinctive character, in the absolute majority of cases, is invoked in conjunction with detriment to repute and unfair advantage. The practice of the UK institutions shows that proving detriment to repute was mainly invoked in three fields. Firstly, this covered cases where the junior mark itself was parodying the reputed mark and clearly conveying a negative image. Secondly, it covered cases where goods of the junior sign were clearly of a nature to convey a negative image on the senior mark. Thirdly, it covers instances where the mark or goods marketed by the junior sign are neither showing negative connotations with, nor parodying the reputed mark, but the field of activities of the junior sign's proprietor is incompatible with the image of the senior mark.

Good examples of recent decisions of the first group are the *Premier Brands* ruling and *Ford v Fraud* opposition. In the former case, the court did not find a claim by the opponent that the trademark TYPHOON used for kitchenware would be detrimental to the trade mark used for tea due to association with natural catastrophes to be convincing.²⁷⁰ In the *Ford* decision the hearing officer found that the opposite was true because even if some consumers could understand the joke in

²⁷⁰ High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd.*

linking the two signs (of FORD and FRAUD), the creation of a mental link between FORD and FRAUD was liable to damage Ford's mark.²⁷¹

Examples of the second group of cases cover such early decisions as *Everready*, *Pebble Beach*, *Merc*, *Adidas*. In the former case the producer of batteries argued that the use of the same mark on contraceptives would be detrimental to the repute of the mark, however the hearing officer did not believe that consumers of batteries would be embarrassed by seeing the same name on contraceptives.²⁷² In *Pebble Beach* a possible association of the golf club with whiskey was not found to be sufficient evidence for detriment to repute since the two products were too dissimilar.²⁷³ In the *Merc* case the hearing officer did not find any arguments that the Mercedes Benz mark could be associated with skinheads and similar consumers due to the earlier mark's popularity within these consumer groups to be convincing.²⁷⁴

However in *Adidas* the hearing officer was convinced that the use of the Adidas three stripe sign on the package of an alcoholic beverage could be detrimental to the reputed mark due to the negative associations by consumers with alcohol. Such decision was enabled by the similarity of the bottle of the applicant to the goods

²⁷¹ UK Intellectual Property Office. *Decision of 12 December 2013 in opposition No O/504/13 by FORD MOTOR COMPANY against FRAUD MUSIC COMPANY*, para. 23.

²⁷² See DAVIES, I. Trade marks - ground of opposition - meaning of section 5(3). *European Intellectual Property Review*. 1998 No 20(10), N175-176.

²⁷³ Court of Session (Outer House). *Decision of 6 September 2002 in case Pebble Beach Co v Lombard Brands Ltd*.

²⁷⁴ High Court of Justice (Chancery Division). *Decision of 26 January 2000 in case DaimlerChrysler AG. v Alavi (t/a Merc)*.

marketed by Adidas mark. The hearing officer decided that this would constitute a parasitic use that Section 5 (3) was intended to provide a protection against.²⁷⁵

Similarly, in *Cristal* ruling the court was not convinced that the use of the sign for cava type of wine would tarnish the reputed mark of the champagne. The court felt that there is nothing inherently negative in the nature of the cava wine and therefore, no detriment to the repute could be established.²⁷⁶

In *Red Bull* the hearing officer touched upon the third group of cases in which the context of use of the earlier mark was invoked as a possible ground of detriment to repute and concluded that tarnishment may occur when the trade mark applied for is used in an unpleasant, obscene or degrading context, or in a context which is not inherently unpleasant but which proves to be incompatible with the earlier trade mark's image.²⁷⁷

A more elaborate analysis of such circumstances can be found in the *Unite* opposition in which the activities of the trade union were argued to be in themselves detrimental to the image of activities by the student association. It is important to note that trade union activities were only one category of services, among unrelated goods and services, applied for. As a result the appointed person had to evaluate the fields of activities of the applicant and their possible influence on the repute of the opponents trade mark.

²⁷⁵ UK Intellectual Property Office. *Decision of 7 July 1999 in opposition No O/188/99 by ADIDAS AG. against INLIMA S.L.*, para. 20. It is important to note that in this early decision little attention is paid to different types of infringement of detriment and unfair advantage and the decision related to both of them.

²⁷⁶ High Court of Justice (Chancery division). *Decision of 6 October 2015 in case Champagne Louis Roederer v J. Garcia Carrion S.A., Asda Stores Limited and WM Morrison Supermarkets PLC.*, para. 90.

²⁷⁷ High Court of Justice (Chancery Division). *Decision of 17 July 2012 in case Red Bull GmbH v Sun Mark Ltd.*

The Appointed Person was not convinced that consumers of the senior mark would actually see the mark applied for in a negative light as it was not proven that the activities of trade unions were perceived negatively by many especially taken into consideration that the mark was not yet in use.²⁷⁸

The *Unite* decision also touched upon the interesting question of the requirement to prove a change in consumers' economic behaviour in cases of detriment to repute. This question was raised by the parties to the proceeding and had to be addressed. Based on the arguments of the parties relying on the *Intel*, *L'Oreal* and *WOLF JARDIN* cases, the Appointed Person came to the conclusion that there was no acte claire on the issue and this will need to be clarified by the CJEU. However, as she had concluded that there was a lack of evidence on finding detriment to repute she found it unnecessary to engage in further discussions on the point.²⁷⁹

Analysis of the cases dealing with detriment to repute reveal that this ground of opposition or infringement is almost never used as a stand-alone clause and is analysed in conjunction with detriment to distinctive character, unfair advantage or passing off. In some of these cases, especially the earlier ones, the line between detriment to distinctive character and repute remained blurred.²⁸⁰

The majority of cases where detriment to repute was found to exist were either disputed on the basis that they were marks known to the public at large or were marks applied for goods of truly degrading nature. In cases where goods were really

²⁷⁸ UK Intellectual Property Office. *Decision of 22 May 2013 in opposition No O/219/13 by UNITE THE UNION AGAINST CONSOLIDATED BY THE UNITE GROUP PLC.*, para. 47.

²⁷⁹ Para. 80 of the decision. For the discussion on this issue see chapter 3.2.5.

²⁸⁰ Best example of such a case is *Visa*. UK Intellectual Property Office. *Decision of 28 September 1999 in opposition No O/340/99 by VISA INTERNATIONAL SERVICE ASSOCIATION against CA SHEIMER (M) Sdn. Bhd.*, pg. 41.

dissimilar and goods were not per se conveying a negative image, reliance on this ground usually failed.

Differently from the practice of the Office, the UK IPO does not insist on proving a particular image of the reputed mark and does not spend time investigating whether the image which is promoted by the trade mark proprietor has gained acceptance and is recognised as associated with the particular trade mark.

In conclusion the practice of applying tarnishment in the UK can be summarised by the quote of Claire Howell:

“It seems that for a mark with a reputation to be protected under the Trade Mark Act 1994 the public must make an unfavourable or strong association between the two marks. This will be very difficult to demonstrate unless the mark is the same as in the VISA case, or where there is some connection with the goods as with an impotence drug and an apparent aphrodisiac.”²⁸¹

Furthermore, application of the provisions will need to be clarified in relation to the requirement of proving change in consumers’ economic behaviour.

4.3.6 Taking unfair advantage

Contrary to detriment to distinctive character and repute, the ground of taking unfair advantage is elaborated on much further by the UK courts. Pre-harmonisation legislation did not foresee this type of protection for proprietors of trade marks. As a result, the additional protection extending beyond confusion was accepted by the UK courts rather reluctantly and with concern that the protection may become too broad.

²⁸¹ HOWELL, C. Tea and Viagra. *Entertainment Law Review*. 2001, No 12(1), pg. 32-36.

Even before the reference for the preliminary ruling in *L’Oreal/Bellure* and its guidelines on the importance of intent and advantage gained by the user of the earlier sign the UK legal system had focused on these two issues.

Regarding intent, the positions differed. For example in early decisions such as *Merc* which was discussed above, Pumfrey J. considered to be of the importance the fact that there was nothing in the case to show that the applicants did seek to gain advantage from the Mercedes Benc brand. On contrary in the above mentioned *Premier Brands* Neuberger J found that:

“Furthermore, it seems to me undesirable that outcome of a case where the court is satisfied that the allegedly infringing sign will seriously damage the reputation of the registered mark should depend on the view which the court forms as to the knowledge, subjective intentions, and even the unconscious desires, of the owner of the allegedly infringing sign.”²⁸²

This issue was revisited by the Court of Appeal (of England and Wales) after the preliminary decision of the CJEU had to be implemented in the *L’Oreal/Bellure* case. The court openly expressed its disagreement with the position of the CJEU and saw the overly broad interpretation of unfair advantage as endangering free competition.²⁸³ After concluding the applicability of former Article 5 (1) (a) of the

²⁸² High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd.*

²⁸³ The Court of Appeal of England and Wales goes so far as to state that:

“Clearly the suppression of truthful information for the consumer does prevent him from making an informed and thus efficient choice.”

The decision also invokes academic opinions to discredit the CJEU position, for example, Gangee, D. and Burrell, R. say:

Directive, the court provided its position on Article 5 (2) (current Article 10 (2) (c)) as interpreted by the CJEU in *L'Oreal/Bellure*:

“So far as I can see this is saying if there is “clear exploitation on the coat-tails” that is ipso facto not only an advantage but an unfair one at that. In short, the provision should be read as though the word “unfair” was simply not there. No line between “permissible free riding” and “impermissible free riding” is to be drawn. All free-riding is “unfair”. It is a conclusion high in moral content (the thought is clearly that copyists, even of lawful products should be condemned) rather than on economic content.

As I have said I do not agree with or welcome this conclusion—it amounts to a pointless monopoly. But my duty is to apply it. For by the use of the comparison lists there is clearly free-riding of the sort condemned by the Court. So if it had been necessary I would have held that there was also art.5 (2) infringement.”²⁸⁴

It is clear that the UK court was not convinced by the interpretation of the CJEU according to which any use intended to be free riding must be regarded as unfair and falling within the ambit of Article 10 (2) (c) of the Directive. In principle, the

“In *L'Oréal v Bellure* the European Court of Justice decided that free riding, or taking advantage of the reputation enjoyed by an earlier mark, is actionable per se. In reaching this conclusion, the ECJ significantly expanded the scope of trade mark protection but provided little justification for doing so. Referencing activity and building on the efforts of others are fundamental to creative and competitive processes. This comment argues that *L'Oréal's* broad prohibition on free riding is theoretically unsound, runs counter to the thrust of European trade mark law and could negatively impact on the competitiveness of the European marketplace.” GANGEY, D. and BURRELL, R. Because You're Worth It: *L'Oréal* and the Prohibition on Free Riding. *The Modern Law Review*. 2010, No 73 (282), pg. 282-285.

²⁸⁴ Court of Appeal (Civil Division). *Decision of 21 May 2010 in case L'Oreal SA v Bellure NV*.

court was not at ease with concluding that the intention must be equalled to finding unfair advantage without any additional judgment on fairness or due cause.

After the *L'Oreal/Bellure* decision of the Court of Appeal (of England and Wales), the question was left open as to whether any intended advantage could be treated as unfair. The UK legal system was clearly not ready to accept such proposition and the issue came before the court again in *Whirlpool v Kenwood* case, where Whirlpool argued that its reputed Kitchen Aid trade mark for mixers was infringed by the new mixer of Kenwood. After the submissions of the parties the court rejected the argument that the *L'Oreal/Bellure* decision deprived the term “unfair” of its meaning.²⁸⁵ The court came to the conclusion that if the junior mark can be shown to have taken advantage of the reputed mark another factor which classifies the advantage of unfairness still needs to be proven.²⁸⁶ The court, admitting that intention can be one of such facts as proven in *L'Oreal/Bellure*, did not attempt to provide an illustrative list of other criteria that could qualify the unfairness of advantage.

In later *Jack Wills* decision, the court confirmed that intent should not be equalled to unfairness and concluded that unfair advantage can be proved even if ‘it is not proved that the defendant subjectively intended to exploit that reputation and

²⁸⁵ Court of Appeal (Civil Division). *Decision of 23 July 2009 in case Whirlpool Corp v Kenwood Ltd.*, para. 114-115.

²⁸⁶ “It is not sufficient to show (even if Whirlpool could) that Kenwood has obtained an advantage. There must be an added factor of some kind for that advantage to be categorised as unfair. It may be that, in a case in which advantage can be proved, the unfairness of that advantage can be demonstrated by something other than intention, which was what was shown in *L'Oréal v Bellure*. No additional factor has been identified in this case other than intention“. Court of Appeal (Civil Division). *Decision of 23 July 2009 in case Whirlpool Corp v Kenwood Ltd.*, para. 136.

goodwill.’²⁸⁷ Independence of intent as one of the elements to be proven in cases of unfair advantage was later also confirmed in the *Cristal* decision. However, even if the above mentioned cases do confirm that unfair advantage can be confirmed to exist in cases where no actual intent by the user of the junior sign is established, the importance of intent remains very high.²⁸⁸

In the *Whirlpool v Kenwood* case the court also evaluated the consumer survey and conclusion of absence of proof of change in economic behaviour before deciding on the inability to find unfair advantage in the case, suggesting that this factor could be transferred to the test of finding unfair advantage as well. Applicability of prove of change of economic behaviour was later confirmed in *Jack Wills* and *Cristal* decisions, where the court clearly stated that the criteria of *Wolf Jardin* should be applied in cases alleging unfair advantage.²⁸⁹

Chapter 3.2.7 revealed reservations of the UK courts to accept guidelines from the CJEU and to admit that any advantage is unfair which are completely legitimate, as the guidelines fail to explain the possibility of applying due cause in such cases. Particularly this aspect of the issue of the UK unwillingness to accept the CJEU rulings can be said to stem from the legal precedent of *Premier Brands*, where Neuberger J also stated that under certain circumstances, notwithstanding the fact that the alleged infringer's use of a sign took “unfair advantage” of a mark, this was outweighed by the use being with “due cause”. Justice Neuberger was convinced

²⁸⁷ High Court of Justice (Chancery division). *Decision of 31 Januray 2014 in case Jack Wills Ltd v House of Fraser*, para. 80.

²⁸⁸ See, for example, High Court of Justice (Chancery division). *Decision of 31 Januray 2014 in case Jack Wills Ltd v House of Fraser*, para. 109.

²⁸⁹ High Court of Justice (Chancery division). *Decision of 6 October 2015 in case Champagne Louis Roederer v J. Garcia Carrion S.A., Asda Stores Limited and WM Morrison Supermarkets PLC.*, para. 98.

that the words “without due cause” in Article 10 (3) of the TMA were related to both “use of the sign” and “taking unfair advantage”.

Similarly in *Specsavers v Asda* the court interpreted the case law of the CJEU as meaning that important consideration had to be given to due cause factor. The court stated that even in situations where the later mark has been chosen with the intention to gain any of the advantages of the reputed mark foreseen in Article 9 (1) (c) and its owner is not compensated for such use, due cause must be considered and:

“the use of a trade mark as a keyword in order to advertise goods which are an alternative to but not mere imitations of the goods of the proprietor and in a way which does not cause dilution or tarnishment and which does not adversely affect the functions of the trade mark must be regarded as fair competition and cannot be prohibited.”²⁹⁰

As was discussed in chapter 3.2.8, the CJEU in *Specsavers* did agree with a proposition of the UK court and accepted that certain fair business practices (in this case use of a particular colour) should be analysed in the context of due cause.

The UK IPO Registry has followed the line of an extremely strict evaluation of the facts in oppositions relying on unfair advantage ground. Even in cases where goods are similar and there is clear similarity between the marks, the office is reluctant to acknowledge that there was an advantage taken.²⁹¹ In cases where advantage is established – an additional criterion of proving it to be unfair is required. For this

²⁹⁰ Court of Appeal (Civil Division). *Decision of 31 January 2012 in case Specsavers International Healthcare Ltd v Asda Stores Ltd.*, para. 141.

²⁹¹ For example, in the Blackberry opposition no advantage was established of the use of the junior mark BLACKRUBY for the identical and similar goods in class No 9. UK Intellectual Property Office. *Decision of 2 February 2012 in opposition No O/039/12 by RESEARCH IN MOTION LIMITED against LG ELECTRONICS.*

purpose, the UK IPO followed the precedent established in *Whirlpool v Kenwood*, *Specsavers v Asda* and earlier cases. Recently the requirement of an additional condition of unfairness or lack of due cause was endorsed in *Red Bull v Sun Mark* where the fact that the defendant did not rely on the possible due cause of Misleading and Comparative Advertising Directive provisions was considered together with the proven intention sufficient to justify unfairness of advantage.²⁹² In *Ford v Fraud* opposition the UK IPO also rejected a possible reliance on the parody as a ground for due cause in cases where the mark is used in the course of trade and not merely as a slogan.²⁹³

It can be deducted from the recent case law and practice of the UK IPO that as a general rule proving unfair advantage requires several elements.

Firstly, even if the intention to take advantage is established the advantage taken must be qualified as unfair. In order to do so, the opponent must either prove that the use of the mark is without due cause or the mark is created to be a “look alike product” in case of similar or identical goods.²⁹⁴ Examples of circumstances falling under due cause are compliance with Misleading and Comparative Advertising Directive, following common fair business practices or use as parody.

It must be concluded that the UK approach towards unfair advantage is much more systematic than the one proposed by the CJEU. The desired way of applying unfair

²⁹² High Court of Justice (Chancery Division). *Decision of 17 July 2012 in case Red Bull GmbH v Sun Mark Ltd.*

²⁹³ UK Intellectual Property Office. *Decision of 12 December 2013 in opposition No O/504/13 by FORD MOTOR COMPANY against FRAUD MUSIC COMPANY*, para. 25.

²⁹⁴ A Good example of a recent case is *Lonsdale Sports*, where the image of the junior sign London for identical goods (clothing) was found to be likely to take unfair advantage of the reputed mark Lonsdale. For reason the judge allowed the appeal. Patents Court (Chancery Division). *Decision of 4 October 2013 in case Lonsdale Sports Ltd v Erol.*

advantage relies on the test of three steps – first being advantage, second unfairness and third absence of due cause. As was discussed in chapter 2.2.7 and 2.2.8 the approach of the CJEU failed to take thorough account of all the three elements and resulted in the position under which any advantage is considered unfair and qualifying of defence by due cause. It is regretful that the UK position was not taken on board in *L’Oreal/Bellure* and later cases.

4.4 Passing off

Article 5 (4) (a) of the TMA implements Article 4 (4) (b) of the Directive and provides that:

“A trade mark shall not be registered if, or to the extent that, its use in the United Kingdom is liable to be prevented-

(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trade mark or other sign used in the course of trade.”

The action of passing off has been part of the common law system since the seventeenth century. After the enactment of trademark registry laws this system served as a provider of additional protection to signs which were not registered or did not qualify for registration (e.g. for a long time shape trade marks).²⁹⁵

It is not the purpose of this work to analyse the case law on passing off, however a few words must be devoted to this issue because it reveals an uncertainty regarding the separation of protection for passing off and reputed marks.

For a long time the application of the passing off protection required three elements to be proven: goodwill of the applicant, confusion, and damage suffered. However,

²⁹⁵ SHUILLEABHAIN, M. N. Common-law protection of trade marks - the continuing relevance of passing off. *International Review of Intellectual Property and Competition Law*. 2003, No 34 (7), pg. 722-750.

recent developments in the case law show that confusion, or the common field of activities between the parties, is no longer a mandatory condition.²⁹⁶ Although it is important to note that not all authorities support this view and there are diverging opinions regarding this question.²⁹⁷

However, if the view loosening the requirement of confusion prevails, a serious question regarding the practical difference of protection of registered marks between the passing off and detriment/unfair advantage cases arises. This is especially true taking into consideration the strict interpretation of showing damage in a form of change in economic behaviour of consumers in cases of detriment, and extreme caution in applying unfair advantage undertaken by the UK courts. In instances of both types of protection what is required is knowledge of the mark within the relevant public (or goodwill), association between the two marks and proof of damage or the serious likelihood of its occurrence. Before the *Davidoff v Godfrid* expanded interpretation of protection by the Directive, passing off could have been understood to be applicable in instances where no confusion was established and dilution/unfair advantage could be proven for similar goods. However, after the ruling of the CJEU, the UK institutions have accepted a wider interpretation of the EU mandated protection. The question remains whether the two types of protection should be equally applicable.

4.5 Conclusions

The analysis of the UK legal system has showed that traditionally trade mark infringements required to prove confusion. The only exception of the principle of

²⁹⁶ Introduced in early decisions such as High Court of Justice (Chancery Division). *Decision of 29 July 1982 in case Lego Systems A/S v Lego M Lemelstrich Ltd*, and still approved by the court in e.g. Patents Court (Chancery Division). *Decision of 25 July 2013 in case Boxing Brands Ltd. v Sports Direct International Plc*.

²⁹⁷ See, for example, Court of Appeal (Civil Division). *Decision of 3 April 1996 in case Harrods Ltd. v Harrodian School*.

specialty for well-known marks in the Trade Marks Act of 1938 was not widely used by trade mark proprietors and was interpreted as requiring confusion between the well-known mark and a junior sign.

In the post harmonisation period, the UK system was initially reluctant to accept that trade mark protection could be granted in cases where there was no confusion. Clear guidelines from the CJEU were necessary to clearly establish that the protection of Articles 5 (3) and 10 (3) could be applicable even in cases where there is no confusion.

Regarding the establishment of reputation the UK IPO and courts do not set the knowledge threshold requirement higher than the Office, however scrutiny is exercised to evaluate if the mark was actually used in the relevant territory and whether that use included all the goods listed in the trade mark application.

Traditionally the UK courts have undertaken a step by step approach in considering the applicability of relevant provisions. The obligation imposed by the Luxembourg court to apply the global appreciation test required the courts to pay attention to the reputation of the mark and other factors in applying the anti-confusion protection. Probably this and the inclusion of confusion by association led the courts to interpret the protection for reputed marks even more strictly – thwarting the overly broad protection for trade mark proprietors. After the more flexible approach to the confusion protection was introduced in the legal system, the issue of a link between the marks became unclear. The UK courts still sometimes require to show that consumers would establish an economic relationship between the proprietors of the two signs in order to establish a link. The global evaluation test in case of Articles 5 (3) and 10 (3) resulted in more focused attention to the factor of similarity of goods. Similarity of goods of some kind became in practice a requirement for all four infringements under Articles 5 (3) and 10 (3).

In applying detriment to distinctive character, the UK institutions apply a list of criteria which predates *Intel*. For the successful application of the protection

however some sort of similarity of goods is required as otherwise the UK courts are not satisfied with possible harm to the reputed mark. The post *Intel* case law shows that the UK IPO and courts do not have a unified position on the meaning of the concept of “change in economic behaviour”. In some instances simple deduction of such behaviour is found to be sufficient, in others evidence in the form of witness statements are required. Furthermore, the ruling of the Court of Appeal of England and Wales in *Interflora* makes it difficult to comprehend how detriment to distinctive character can be established without concluding on the adverse effect on the trade mark origin function – in other words some form of confusion.

Practice in applying detriment to repute reveals that this type of infringement is relied upon in cases where the mark itself is meant to convey a negative message about the reputed mark, where the goods of the junior mark are of a degrading nature or lastly, in cases where the context of use of the later sign can be harmful to the reputed sign. The majority of cases where detriment to repute was found to exist were disputed either on the basis of marks known to the public at large or which were used or applied for goods of a truly degrading nature per se. In cases where goods were truly dissimilar and goods were not per se conveying a negative image, reliance on this defence usually failed.

Relying on unfair advantage has proven to be just as difficult. The proprietor of the mark must show that the advantage taken is unfair and without due cause. In practice, reliance on possible exceptions of the Misleading and Comparative Directive provisions are found to be a valid due cause, as is the lack of additional evidence of unfairness of the advantage. This in most cases proves to be almost impossible unless the junior sign is used for “look alike products” of clearly poorer quality or of an insulting nature themselves.

Lastly, it must be pointed out that proprietors of reputed marks do not often rely on protection of well-known marks. However, the common law notion of “passing off”, which bears some features of trade mark protection and unfair competition

rules, is usually applied in conjunction with the provisions for reputed marks. Recent developments of passing off and loosening requirements of a common field of activities for both marks and the establishment of confusion, make it difficult to see any real difference between the types of protection.

5 Chapter IV –Protection of reputed marks in Germany

5.1 Introduction

The following part of the research will analyse the protection of reputed marks in Germany. This jurisdiction is of considerable importance in this research for several reasons. Firstly, Germany has a long standing history in protecting trade marks beyond the principle of specialty. For this reason, even the original dilution theory of F. Schechter analysed German case law and practice and considered its framework with its advantages and drawbacks.²⁹⁸ Secondly, German courts have a strong tradition and experience in securing trade marks proprietors' rights against conflicting uses of signs used on different classes of goods and services not only through trade mark law but also through competition rules. Undoubtedly, this practice had an influence in adopting and applying the Directive and the Regulation. Therefore, it is important to look at German law in this field in order to better understand the relationship between the competition rules and trade marks rules applied for reputed marks and thereby possibly reveal underlying argumentation of the Luxembourg courts in applying protection for reputed marks.

5.2 Pre-harmonization laws

Prior to the adoption of the Directive German trade mark law was primarily regulated by the German Trade Mark Act 1894 (*WBzG*, hereinafter – the GTMA).

²⁹⁸ See, SCHECHTER, F. I. The rational basis for trade mark protection. *Harvard law review*. 1927, No 40 (6), pg. 813-833.

The GTMA established traditional confusion based protection of trade marks and protection of well-known marks, however it did not provide any wider protection for reputed or famous marks neither as a relative ground for registration refusal nor as an additional right for trade mark proprietors. Nevertheless, Germany by many commentators is believed to have laid out the foundations of the dilution theory in 1920's.²⁹⁹

Traditionally trade mark law in Germany is understood to constitute an integral part of the wider system – competition law. In most jurisdictions, even the UK, which traditionally did not recognise a separate field of competition law, competition-type rules (e.g. passing-off) influenced the effectiveness and scope of protection of trade marks. In Germany, however, this relationship between the trade mark law and competition law has had a finer dividing line than in most of the European countries.³⁰⁰

Most commentators agree that pre-harmonization German protection of famous marks was based on two poles - protection against dilution (“*Verwässerungsschutz*”) and protection against taking unfair advantage (“*Rufausbeutung*”). The former was created by the case law based on general clauses of unfair competition law while the latter was deducted from tort law provisions.³⁰¹

²⁹⁹ For an overview of the pre-harmonization German case law on this topic, see, for example SEELIG, G. W. Protecting "famous brands" in Germany. *European intellectual Property Review*, 1989, No 11 (5), pg. 158-161.

³⁰⁰ RÖBLER, B. Die Ausnutzung der Wertschätzung bekannter Marken im neuen Markenrecht. *Gewerblicher Rechtsschutz und Urheberrecht*. 1994, No 559, pg. 562.

³⁰¹ See, for example, ZOLLNER, B. *Der Schutz berühmter Marken gegen Verwässerungsgefahr im deutschen und US- amerikanischen Recht*. Berlin: Verlag Arno Spitz GmbH., 1996, pg. 20-22.

Traditionally, the *Odol* case is considered to have been the origin of the protection against dilution in Germany³⁰². In this case, the German Imperial Supreme (*Court Reichsgericht*) afforded protection against the use of identical/similar signs outside the traditional anti-confusion field. The court required the protected mark to be extremely famous in order to be convinced that the use of the sign on unrelated goods or services would tempt competitors to use the selling power of the mark on different goods and relied on the rules of unfair competition to grant this protection.³⁰³ Reliance on competition law rules was justified by possible advantage gained by use of the junior mark and was aimed at protecting reputation and goodwill. Throughout the years German practise has protected the use of the known marks by junior users based on the competition law provision.³⁰⁴ It is important to note that such cases did not require the quality of the junior mark to be inferior, the fact that the mark would attract consumers by the power of the senior mark was the important condition. Another requirement is the fact that protection based on competition law even did not require that a junior sign was used as a trade mark. In principle, as it was described by Piper:

“Wettbewerbsrechtlich genossen allerdings nach der Rechtsprechung des BGH bekannte Marken nach § 1 UWG - unabhängig von der Identität oder Gleichartigkeit der Waren, unabhängig von einer warenzeichenmäßigen Benutzung und unabhängig von einer Benutzung in verwechslungsfähiger Weise - Schutz vor

³⁰² It must be noted that although the *Odol* decision is usually mentioned as a starting point for the protection against dilution, the reasoning of the court contains a lot of features common to the protection against taking unfair advantage. However, it is discussed later that the mixed approach to both types of the protection was quite common to the early German case law.

³⁰³ Reichsgericht. *Decision of 28 February 1958 in case Odol*.

³⁰⁴ Most famous pre-harmonization examples include cases like *Dimple*, *Dunhill*, *Kodak* and others.

unbefugter Rufausnutzung, Rufbehinderung oder Rufschädigung in einem vom Kennzeichenrecht nicht erfaßten Bereich. Da die Wertung des Kennzeichenrechts und dessen abschließende Regelungen hinzunehmen waren, konnte freilich dieser Schutz nur bei Vorlage besonderer wettbewerblicher Umstände gewährt werden, die die Verwerflichkeit der Rufausnutzung oder Rufbeeinträchtigung der fremden Marke begründeten (emphasis added).”³⁰⁵

Even though the quoted passage does indicate that confusion was not required by the earliest German case law, some commentators disagree with this and claim that the extended protection was actually based on the wider theory of confusion.³⁰⁶

Although the earliest cases did justify dilution protection in instances where at least some competitive relationship between the users of the senior and junior marks could be established, the German courts expanded the protection of trade mark owners even further by relying on the general tort rule of the Civil Code³⁰⁷ admitting

³⁰⁵ PIPER, H. Der Schutz der bekannten Marken. *Gewerblicher Rechtsschutz und Urheberrecht*. 1996, No 429, pg. 430.

³⁰⁶ For example, Ilanah Simon Fhima argues that:

„Wolff refers to two cases based on the dilution reasoning employed in *Odol* between 1924 and 1937 and Schricker identifies further examples from the 1920s onwards. However, Wolff points out that, rather than relying on dilution, the German courts more often employed an expanded theory of confusion, whereby, even if consumers were not confused as to the origin of the junior user’s goods, they might “get the impression that there was some connection between the parties”, for example they might mistakenly believe that the senior user had sponsored the junior user, or was controlling the quality of those goods. Such protection against use on dissimilar goods is certainly significant, but it ultimately relies on traditional confusion-based theories of trade mark law”. FHIMA, I. S. Exploring the roots of European dilution. *Intellectual Property Quarterly Issue*. 2012, No 25 (38), pg. 30.

³⁰⁷ Article 823 (1) of the Civil Code (*Bürgerliches Gesetzbuch*) provides:

that the requirement of competition ties was not always fairly imposed thereby loosening the requirement of unfair competition law.³⁰⁸ The first important example of this case law is the *Quick* decision which is by many commentators understood as introducing the dilution protection into German law (*Verwässerungsschutz*).³⁰⁹ In this case the German Supreme Court ruled that:

“[T]he owner of ... a distinctive mark has a legitimate interest in continuing to maintain the position of exclusivity he acquired through large expenditures of time and money and that everything which could impair the originality and distinctive character of his distinctive mark, as well as the advertising effectiveness derived from its uniqueness, is to be avoided ... Its basic purpose is not to prevent any form of confusion but to protect an acquired asset against impairment.”³¹⁰

The *Quick* decision started the process of securing a list of criteria which had to be met in order for the known mark to be awarded an additional protection outside the

„Wer vorsätzlich oder fahrlässig das Leben, den Körper, die Gesundheit, die Freiheit, das Eigentum oder ein sonstiges Recht eines anderen widerrechtlich verletzt, ist dem anderen zum Ersatz des daraus entstehenden Schadens verpflichtet“

³⁰⁸ It is however important to note that in later cases, the requirement for the parties involved in a dispute to be in competition was almost abandoned. For, example, in the Rolls Royce case the senior sign was protected against use of the identical mark in the advertisement of whiskey. Bundesgerichtshof. *Decision of 9 December 1982 in case Rolls Royce*.

³⁰⁹ Bundesgerichtshof. *Decision of 11 November 1958 in case Quick/Glück*. Later examples of reliance of the general Civil code provision includes cases such as *Telefonnummer 4711* (Bundesgerichtshof), *Quelle* (Bundesgerichtshof), *Camel Tours* (Bundesgerichtshof).

See, for example, PIPER, H. *Der Schutz der bekannten Marken. Gewerblicher Rechtsschutz und Urheberrecht*. 1996, No 429, pg. 431.

³¹⁰ As quoted in Premier Brands. High Court of Justice (Chancery Division). *Decision of 21 January 2000 in case Premier Brands UK Ltd. v Typhoon Europe Ltd*.

specialty principle. The first condition was an extremely high awareness rate among the public. Pre-harmonization German decisions accepted that percentage as 82 (Rosendhal), 86 (Camel), 80 (Asbach) was sufficient and evidence that there was less than 50 percent recognisability was expressly rejected (Dimple).³¹¹ Commentators also agree that a precondition for applicability of the general rule of the Civil Code or competition law required an extremely high level of knowledge threshold which was undoubtedly higher than required for the protection of well-known marks under the Paris Convention.³¹² Furthermore, German commentators also seem to suggest that at least some type of qualitative repute was required for the mark to be protected and that the fame of the reputed mark had to be confirmed in order to expand in the field of the junior mark.³¹³

Furthermore, it is important to note that German pre-harmonization case law acknowledging dilution as an exceptional form of legal protection for trade marks did require a knowledge threshold to be established among the public at large. Cases

³¹¹ For example, Ernst-Moll mentions trade marks as recognized to be famous:

“Neuere Umfragen brachten indessen erstaunlich hohe Bekanntheitsgrade berühmter Marken zum Vorschein. Bei einer Umfrage des Jahres 1979 31 erzielten folgende Marken einen Bekanntheitsgrad von 96,6 % bis 90,3 %: "Maggi", "Mercedes", "Asbach", "Dr. Oetker", "Grundig", "Glücksklee", "Dornkaat", "Philips", "Echt Stonsdorfer".

Die Ergebnisse einer Umfrage der GFM vom Oktober/November 1985 32 lauten: "Honda" 85,7 %; "ATA" 87,5 %; "Saba" 88 %; "Reval" 88,3 %; "Grundig" 98 %; "Tchibo" 98,7 %; "Nivea" 98,8 %; "Coca Cola" 99,7 %.“ ERNST-MOLL, J. Die berühmte und die bekannte Marke. *Gewerblicher Rechtsschutz und Urheberrecht*. 1993, No 8, pg. 10.

³¹² ERNST-MOLL, J. Die berühmte und die bekannte Marke. *Gewerblicher Rechtsschutz und Urheberrecht*. 1993, No 8, pg. 10.

³¹³ BOES, U. and DEUTSCH, V. Die "Bekanntheit" nach dem neuen Markenrecht und ihre Ermittlung durch Meinungsumfragen. *Gewerblicher Rechtsschutz und Urheberrecht*, 1996, No 168, pg. 169 and Bundesgerichtshof. *Decision of 22 March 1990 in case Telefonnummer 4711*.

like *Faberge* which did involve known marks clearly showed the resistance of the courts to narrow down consumer circles thus making German anti-dilution laws truly exceptional.³¹⁴

Secondly, early German decisions on this issue required the known mark to be unique and original on the market place.³¹⁵ Following their line of argumentation, the mark could not be diluted if it already was encountered on the market by consumers on several different goods. However, this requirement did not preclude wider protection in cases of truly famous marks that were also used on relatively small scale by third parties.³¹⁶

Thirdly, there was a precondition for existing damage or risk of future damage to the senior mark. This requirement, which was expressly introduced in the *Camel Tours* decision, has traditionally been understood as:

“Für den Schutz der berühmten Marke genügt danach also nicht nur die (allgemeine, abstrakte) Gefahr einer Verwässerung, wie sie sich nach der Rechtsprechung vor der "Camel Tours"-Entscheidung grundsätzlich allein schon aus dem Angriff auf die Alleinstellung der berühmten Marke durch den Zweitbenutzer ergab. Vielmehr bedarf es dafür seit dieser Entscheidung einer konkreten Beeinträchtigung des auf der Alleinstellung beruhenden Werbewerts und des daraus resultierenden wettbewerblichen Besitzstandes.”³¹⁷

³¹⁴ In *Faberge* case the court did not agree with the Plaintiff that consumers of Faberge production for luxury items should be limited to users of such goods. Bundesgerichtshof. *Decision of 12 July 2001 in case Fabergé*.

³¹⁵ See, for example Bundesgerichtshof. *Decision of 7 November 1958 in case Triumph*.

³¹⁶ E.g. Oberlandesgericht Düsseldorf. *Decision of 17 September 1981 in case Rosental*.

³¹⁷ PIPER, H. Der Schutz der bekannten Marken. *Gewerblicher Rechtsschutz und Urheberrecht*. 1996, No 429, pg. 346.

Under the expanded application of unfair competition law, the main factor in determining whether the defendant was unfairly using or exploiting the reputed mark was whether the junior user could have, in theory, been granted a license to use the reputed mark. If such license could be of interest to the junior user, the infringement of trade marks rights could be established.³¹⁸

One must note that although theoretically German case law did separate the protection against dilution and taking unfair advantage, the dividing line remained very narrow. In many decisions, dilution protection was based on the establishment of unfair advantage and invoking the same arguments to justify both types of injury.³¹⁹ Furthermore, the definition of dilution remained rather vague and decisions such as *Bayer-Kreuz* posed a question regarding the real difference between the protection against confusion under trade mark law and dilution. This doubt was especially valid taking into consideration the fact that pre-harmonization German case law confirmed the applicability of dilution and unfair advantage protection to similar and identical goods as well.³²⁰

³¹⁸ E.g. Bundesgerichtshof. *Decision of 9 December 1982 in case Rolls Royce*.

³¹⁹ For a more in depth analysis of the old German case law on dilution, see ZOLLNER, B. *Der Schutz berühmter Marken gegen Verwässerungsgefahr im deutschen und US- amerikanischen Recht*. Berlin: Verlag Arno Spitz GmbH., 1996, pg. 19-50.

³²⁰ The Byer-Kreuz decision established three types of injury which was protected under dilution-“Assoziationsgefahr, Verunsicherungsgefahr and Schwächungsgefahr”- the two former ones could be categorized today as belonging to the expanded theory of confusion or confusion by association. In *Coffeinfrei*, (Bundesgerichtshof), and *SL* (Bundesgerichtshof) decisions the application of unfair advantage in case of similar goods was confirmed to exist. See ZOLLNER, B. *Der Schutz berühmter Marken gegen Verwässerungsgefahr im deutschen und US- amerikanischen Recht*. Berlin: Verlag Arno Spitz GmbH., 1996, pg. 47.

The link between confusion and dilution law could also be seen in cases based on the traditional confusion theory as the German courts have also valued extended reputation of marks as an important criterion for founding a confusion infringement. It was recognized that extended recognisability among the public increases the scope of protection for the trade mark and the possibility of confusion.³²¹

To shortly summarize the pre-harmonization practice of the German courts, it can be said that the protection for famous marks was granted based on provisions of the competition law and the general Civil Code provisions of tort law. Gradual case law developed by the courts set strict requirements for additional protection of famous marks, by insisting not only on extreme fame and a unique position of the marks on the market but also on actual or predictable harm to the competitive position of the trade mark proprietor.

5.3 Implementation of the Directive and the Regulation

The implementation of the EU acts on the subject was achieved by amending the GMTA and establishing special provisions for the protection of reputed marks.³²²

³²¹ See, for example, Bundesgerichtshof. *Decision of 24 June 1982 in case Prodont.*

³²² The German Trade Mark Act of 1994 (*Gesetz über den Schutz von Marken und sonstigen Kennzeichen*) established special protection for reputed marks at the registration stage and as a proprietor's right respectively in Articles 9 (1) (3) and 14 (2) (3) which provide:

„9.(1). Die Eintragung einer Marke kann gelöscht werden <...>

3. wenn sie mit einer angemeldeten oder eingetragenen Marke mit älterem Zeitrang identisch oder dieser ähnlich ist und für Waren oder Dienstleistungen eingetragen worden ist, die nicht denen ähnlich sind, für die die Marke mit älterem Zeitrang angemeldet oder eingetragen worden ist, falls es sich bei der Marke mit älterem Zeitrang um eine im Inland bekannte Marke handelt und die Benutzung der eingetragenen Marke die Unterscheidungskraft oder die Wertschätzung der bekannten Marke ohne rechtfertigenden Grund in unlauterer Weise ausnutzen oder beeinträchtigen würde.

14. (1) Der Erwerb des Markenschutzes nach § 4 gewährt dem Inhaber der Marke ein ausschließliches Recht.

The new system of protection for reputed marks raised several questions. Firstly, what was the relationship between the old system of protection based on the competition law and tort law and the new provisions of the trade mark law? Furthermore, a question was raised as to whether the protection of trade marks could be continued on the basis of non-trade mark law provisions. Secondly, the new wording of the Trade mark law provisions had to be applied in practice and the applicability of case law established requirements under the competition law and tort law for the protection of reputed marks had to be tested.³²³

It is interesting to note that contrary to long standing history of the German case law on infringement of famous trade mark use, possible additional opposition ground for German reputed marks was introduced only as from the 1 October 2009.³²⁴ Therefore, the analysis of the effectiveness of protection for reputed marks is based primarily on the case law on Article 14 (2) (3) which establishes rights of reputed trade mark owners.³²⁵

5.3.1 The application of non-trade mark law protection for reputed marks

After the new provisions ensuring protection for reputed marks came into force, the relationship between the continuous application of competition law and tort law for

(2) Dritten ist es untersagt, ohne Zustimmung des Inhabers der Marke im geschäftlichen Verkehr <...>

3. ein mit der Marke identisches Zeichen oder ein ähnliches Zeichen für Waren oder Dienstleistungen zu benutzen, die nicht denen ähnlich sind, für die die Marke Schutz genießt, wenn es sich bei der Marke um eine im Inland bekannte Marke handelt und die Benutzung des Zeichens die Unterscheidungskraft oder die Wertschätzung der bekannten Marke ohne rechtfertigenden Grund in unlauterer Weise ausnutzt oder beeinträchtigt.“

³²³ For analysis of these questions, see for example, RÖBLER, B. Die Ausnutzung der Wertschätzung bekannter Marken im neuen Markenrecht. *Gewerblicher Rechtsschutz und Urheberrecht*. 1994, No 559.

³²⁴ Sec. 42 (2) Trade Mark Act.

³²⁵ Article 14 (2). See footnote 322.

the protection of reputed marks had to be clarified. The EU provisions provided a wider protection for reputed marks because the requirements of fame and uniqueness in the market were milder. However, specific types of harm under EU law were new to the German legal system. The question therefore arose as to whether trade mark proprietors could still rely on the old provisions to protect their rights and if so under what circumstances.

The German Supreme Court was faced with this issue in the *MAC Dog* decision in which it concluded on the supplementary nature of the competition law protection:

“Die Regelung zum Schutz bekannter Marken und Unternehmenskennzeichnungen ist an die Stelle des bisherigen von der Rechtsprechung entwickelten Schutzes getreten und läßt in ihrem Anwendungsbereich für eine gleichzeitige Anwendung des § 1 UWG oder des § 823 Abs. 1 BGB grundsätzlich keinen Raum.”³²⁶

The relationship between the unfair competition laws and trade mark laws was also found by the courts to depend on the nature of use of the trade mark by the junior user. If the junior sign is used as a trade mark, and thereby primarily falls within the ambit of the trade mark law, the parallel application of the competition law is not allowed.³²⁷ In general commentators argue that the dividing line is not extremely

³²⁶ Bundesgerichtshof. *Decision of 30 April 1990 in case MAC Dog.*

³²⁷ “Für einen wettbewerbsrechtlichen Schutz ist bei der gegebenen Fallgestaltung kein Raum. Die Wortmarke „Absolut“ und die in Betracht kommenden Wort-/Bildmarken mit dem Worтеlement „Absolut“ sind markenrechtlich zu Gunsten der Ast. geschützt. Dies bedeutet, dass die Marken sowohl gegen Rufausbeutung als auch gegen Verwässerung - soweit anders als im vorliegenden Fall die Voraussetzungen dafür vorliegen - durch § 14 II Nr. 3 MarkenG geschützt sind.“ Oberlandesgericht Köln. *Decision of 23 July 2004 in case Absolut.* See also, *Ferrari-Pferd* decision in which the court concluded that „neben dem markenrechtlichen Schutz bekannter Marken scheidet ein Anspruch nach § 1 UWG aus.“ Bundesgerichtshof. *Decision of 19 February 2004 in case Ferrari-Pferd.*

clearly defined, however non trade mark law can be invoked where trade mark protection is not applicable.³²⁸

5.3.2 Reputation

As was mentioned previously, the pre-harmonization case law on the protection of famous marks set an extremely high knowledge threshold. Examples of cases successfully relying on the additional protection for famous marks were based on trade marks which were proven to be known by more than 80 percent of consumers.³²⁹ Most of the cases involved goods which were aimed at the public at large, thus making the knowledge threshold requirement extremely difficult to meet. The new law has been interpreted as requiring a lower level of knowledge threshold.³³⁰

The knowledge threshold of the mark which can constitute sufficient recognition amongst consumers depends also on the uniqueness and nature of the trade mark. Signs which are descriptive or have a second meaning face higher knowledge requirements. Secondary meaning also has an impact on the assessment of possible harm as will be shown later.

Contrary to the case law of the Lithuanian courts, German cases seem to suggest that reliance on competition and trade mark law is not substitutable and interchangeable. Uses of senior mark which are primary trade mark uses are argued on the basis of the trade mark law provisions.

³²⁸ See, for example, INGERL, R. and ROHNKE, C. (3rd ed.). *Markengesetz: Gesetz über den Schutz von Marken und sonstigen Kennzeichen*. München: Verlag C.H. Beck, 2010, In. 1293-1297; and Bundesgerichtshof. *Decision of 30 April 2008 in case Rillenkoffer*.

³²⁹ See for example, Hans. Oberlandesgericht Hamburg. *Decision of 12 October 1972 in case Asbacher Landbrot*. In Underberg decision the Hamburg court found that an awareness rate of 88.3 per cent was sufficient. Oberlandesgericht Hamburg. *Decision of 11 July 1985 in case Underberg*.

³³⁰ Oberlandesgericht Hamburg. *Decision of 21 September 2000 in case Derrick.de*.

Since the *Big Bertha* and *Faberge* judgments the German courts have also explicitly acknowledged that for the protection of reputed marks under Article 14 (2) (3) the recognition among the consumers for which the goods marked by the senior sign are aimed is also relevant.³³¹ Furthermore, the courts have endorsed the cumulative list of criteria developed by the CJEU for assessment of reputation.³³²

Another aspect of the German approach towards Articles 9 (1) (3) and 14 (2) (3) is the importance of the qualitative criteria. The pre-harmonization law required the trade mark to possess a special image, transfer of which to the junior mark could be beneficial to the proprietor of the earlier sign and thereby impair the competitive position of the reputed mark. Although the image did not have to be objectively present, it had to be viewed as part of the trade marketed goods by consumers (under the *Quick* decision). As a result, unsurprisingly, after the new law came into force, the importance of qualitative criteria for assessment of reputation had to be re-evaluated. Some commentators claim that the quality criteria had to be seen as part of the quantitative criteria.³³³ Others maintain, that esteem is an integral part of preconditions for the application of Article 14 (2) (3) and claim that:

“Davon unabhängig kommt die Fallvariante der „Beeinträchtigung der Wertschätzung“ natürlich nur in Betracht, wenn die Marke eine solche

³³¹ Oberlandesgericht München. *Decision of 10 October 2002 in case BIG BERTHA* and Bundesgerichtshof. *Decision of 12 July 2001 in case Fabergé*

³³² Bundesgerichtshof. *Decision of 12 July 2001 in case Fabergé*.

³³³ RÖßLER, B. Die Ausnutzung der Wertschätzung bekannter Marken im neuen Markenrecht. *Gewerblicher Rechtsschutz und Urheberrecht*. 1994, No 559, pg.563.

Wertschätzung genießt, wobei der Begriff der Wertschätzung im Wesentlichen deckungsgleich mit dem des (guten) Rufs sein dürfte.”³³⁴

However, it seems that the German courts have been following the position which is closely related to the position of Office in detriment to repute cases and the CJEU in unfair advantage cases – a particular image of the trade mark is required in order for it to be able to suffer from the transfer of this image to another sign.³³⁵ In recent cases the Bundespatengericht has even analysed whether the particular image of the company was damaged by negative feedback in the press and if this feedback could diminish the reputation (*der Ruf*) of the mark. The decision clearly shows that the quality of the mark constitutes an integral part of the reputation requirement in opposition procedures as well.³³⁶

The particular image of a trademark is not always analysed as an integral part of the reputation criterion; however, it is in most cases evaluated as part of the injury element.³³⁷ Lack of such image potentially precludes recognition of infringement.

³³⁴ HACKER, F., HACKBARTH, R. and VON MÜHLEND AHL, A. Der Schutz gegen die Verwässerung einer Marke. *Gewerblicher Rechtsschutz und Urheberrecht. Internationaler Teil*. 2010, No 822, pg. 824.

³³⁵ Oberlandesgericht Stuttgart. *Decision of 27 July 2006 in case CARRERA* and Oberlandesgericht Hamburg. *Decision of 26 November 2011 in case Bullenmeister*.

³³⁶ Bundespatentgericht. *Decision of 28 June 2013 in case TÜV/ TÜg*.

³³⁷ However, some commentators argue that a qualitative element of reputation must only be evaluated as a part of detriment to repute (as opposed to detriment to distinctive character) and as a result does not play a role in determining existence of reputation itself:

„Man wird daher zu einer eigenständigen Begriffsbildung kommen müssen, wobei es in der amtlichen Begründung zu § 9 Markengesetz heißt, daß eine kategorische Abgrenzung gegenüber der Verkehrsdurchsetzung nicht getroffen werden könne, weil qualitative Elemente hinzukommen müßten, von denen der "gute Ruf" der Marke abhängig ist. Dieses Argument dürfte allerdings unzutreffend sein, weil in den genannten Vorschriften die Wertschätzung zusätzlich als besonderes Tatbestandsmerkmal aufgeführt ist.

In the pre-harmonization period most trade marks were acknowledged to be famous by submission of public surveys.³³⁸ The most reliable piece of evidence – consumer surveys- retained a primary role in proving the knowledge threshold amongst the public under the new law as well. In opposition proceedings the reputation factor also has to be proven separately and is not merely assumed to exist.³³⁹

German commentators agree that the German Supreme Court has never committed itself to a specific percentage of knowledge threshold which would in all cases constitute sufficient recognition. However, it is suggested by the case law that a knowledge threshold lower than 20 percent is not considered to be sufficient.³⁴⁰

As regards the territorial coverage of the mark's repute, the German courts have followed the guidance of the CJEU and admitted that knowledge within part of the country can constitute sufficient reputation for the purposes of the application of Article 14 (2) (3).³⁴¹ They also claim that survey evidence requires higher

Es paßt überdies nur für den Bereich der Rufausbeutung bzw. -beeinträchtigung, nicht aber z. B. für die Schwächung der Unterscheidungskraft. Demnach muß die Bekanntheit wertneutral und als isoliertes Tatbestandsmerkmal aufgefaßt werden, wobei ein fester Prozentsatz - bedauerlicherweise - wohl nicht zugrundegelegt werden kann, weil sie vom jeweiligen Umfeld abhängig und damit eine variable Größe ist.“
BOES, U. and DEUTSCH, V. Die "Bekanntheit" nach dem neuen Markenrecht und ihre Ermittlung durch Meinungsumfragen. *Gewerblicher Rechtsschutz und Urheberrecht*, 1996, No 168, pg. 169.

³³⁸ Oberlandesgericht Frankfurt a. M. *Decision of 16 January 1992 in case Mercedes*.

³³⁹ See, for example, Bundespatentgericht. *Decision of 24 October 2000 in case Twice as nice*. The court also quite strictly requires proof of use and knowledge for particular goods unless the mark is truly famous, see, for example, Bundespatentgericht. *Decision of 13 December 2013 in case Iset Solar*.

³⁴⁰ See, for example, Bundesgerichtshof. *Decision of 12 July 2001 in case Fabergé*.

In spite of this, in some cases, where goods are aimed at the particular consumer group, a knowledge threshold of even 30 percent was deemed sufficient. See, Bundesgerichtshof. *Decision of 29 November 1990 in case Salomon*.

³⁴¹ Oberlandesgericht Köln. *Decision of 7 April 2011 in case DUMONT/Dumont Kölsch*.

knowledge for products aimed at the general consuming public as opposed to specialized goods.³⁴²

To summarize the position of German legal system on the reputation element of the EU provisions the following can be concluded. Firstly, although the new law lowered the threshold requirement, the required percentage remains high and is rarely confirmed to be sufficient if not exceeding 50 percent. Secondly, the German courts require the mark to possess a qualitative feature which must be evaluated not from the objective, but from the consumer's point of view. Thirdly, and quite importantly, unique marks are admitted to enjoy reputation more easily as are the marks used for products aimed at the public at large.

5.3.3 Establishing a link

Contrary to their British colleagues, German judges did not find it difficult to apply the protection of reputed marks in cases where no confusion could be established. Due to a long history in protection of famous marks against dilution and loss of competitive advantage without the presence of confusion, the application of the new provisions was perceived without as much cautiousness and scepticism:

“Die Vorschrift des § 14 II Nr. 3 MarkenG erfordert dabei bezogen auf die Klagemarke einen Bekanntheitsgrad dergestalt, dass die mit der angegriffenen Bezeichnung konfrontierten Verkehrskreise auch bei nicht ähnlichen Waren oder Dienstleistungen eine Verbindung zwischen den Kollisionszeichen herstellen und hierdurch die ältere Marke beeinträchtigt werden kann.”³⁴³

³⁴² BOES, U. and DEUTSCH, V. Die "Bekanntheit" nach dem neuen Markenrecht und ihre Ermittlung durch Meinungsumfragen. *Gewerblicher Rechtsschutz und Urheberrecht*. 1996, No 168, pg. 170.

³⁴³ Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II*. See also for example, Oberlandesgericht Hamburg. *Decision of 26 November 2011 in case Bullenmeister*.

Similarly in the recent *Volkswagen posters* case, the court confirmed its position as set out in the *Lila postcard* case and concluded that the precondition for the infringing use of the sign as a decoration (in this case posters) requires only a mental link.³⁴⁴

The German legal system from the very establishment of the application of the new Trade Mark Law accepted that the criteria and standard for evaluation of similarity between the signs were the same as for the application of Article 14 (2) (2).³⁴⁵ The Courts followed the line of argumentation which admits the relevance of the overall impression of the junior mark.³⁴⁶

However, a mere association between the two marks, or the fact that the image of the second sign was selected intentionally, is not considered to be sufficient, and was dismissed in a rather early *Zwilling/Zweibrüder* decision which was supported and followed by later cases.³⁴⁷ Later on, the rule was pronounced that the establishment of a link is not in itself sufficient. Taking unfair advantage of a reputed mark was declared to result not from harm or from a sufficiently high and realistic possibility of it, but from the conclusion that the junior mark achieves a higher level of attention by consumers or higher reputation due to such mental link.³⁴⁸

It must be noted that an issue of similarity between the marks and its separation from the element of a link is not always clear to German courts. Furthermore, although the confusion itself is not considered a requirement of Article 14 (2) (3),

³⁴⁴ Oberlandesgericht Frankfurt a. M. *Decision of 10 March 2011 in case Blechschilder.*

³⁴⁵ Bundesgerichtshof. *Decision of 19 February 2004 in case Ferrari-Pferd.*

³⁴⁶ Oberlandesgericht Hamburg. *Decision of 26 November 2011 in case Bullenmeister.*

³⁴⁷ Oberlandesgericht Stuttgart. *Decision of 27 July 2006 in case CARRERA.*

³⁴⁸ Oberlandesgericht Frankfurt a. M. *Decision of 23 May 2012 in case Café Merci.*

the issue of confusion by association as a prerequisite for the application of the provision is still encountered in the case law. Thereby proving, that the CJEU requirements to separate the issue of similarity and a link and furthermore definition of a link is not completely comprehended by the German legal system. To illustrate this, a recent decision of the German Supreme Court can be quoted:

“Weist ein Zeichen Ähnlichkeiten mit einer bekannten oder gar berühmten Marke auf, kann das Publikum wegen der Annäherung an die bekannte Marke zu dem Schluss gelangen, zwischen den Unternehmen, die die Zeichen nutzten, lägen wirtschaftliche oder organisatorische Verbindungen vor.”³⁴⁹

As was mentioned earlier, the German legal system views the protection of reputed marks as part of competition law. As a result, understanding the aim of the protection is substantially different from the British point of view.³⁵⁰ This fact probably also had an influence on the German approach to the global appreciation test which was agreed to be relevant not only for the assessment of reputation but also for the establishment of a link.³⁵¹ For example, in the *Ferrari – Pferd* decision the appeal court returned the case to the first instance court to re-evaluate the similarity of signs and possible link between them taking into consideration the huge reputation of the Ferrari sign.³⁵²

³⁴⁹ Bundesgerichtshof. *Decision of 11 April 2013 in case Volks-Inspektion.*

³⁵⁰ For example, Fezer argues that:

„Zweck des Verwässerungsschutzes der berühmten Marke ist es, den Werbewert der berühmten Marke als einen vermögenswerten Besitzstand vor einer Beeinträchtigung Dritter zu schützen.“ FEZER, K.H. (4th. ed.). *Markenrecht: Kommentar zum Markengesetz, zur Pariser Verbandsübereinkunft, und zum Madrider Markenabkommen.* München: Verlag C.H. Beck, 2009, In. 824-825.

³⁵¹ Bundesgerichtshof. *Decision of 12 July 2001 in case Fabergé.*

³⁵² Bundesgerichtshof. *Decision of 19 February 2004 in case Ferrari-Pferd.*

Similarly in the *Dumont* case, an overall assessment of small similarities between the signs, truly different goods and services (beer and publishing services) and different consumer groups, allowed the court to conclude that a mental link was unlikely to occur.³⁵³

Although the German courts from the early application of Article 14 (2) (3) did not have difficulty in granting protection in cases where no confusion in a narrow or wider sense could be found, the similarity of goods remained an important factor in judging a possible link and infringement of a senior mark. From the period of the pre-harmonization laws, protection against dilution was usually not granted if the known mark was used for a rather specific goods the fame of which did not extend to many classes of goods and services. Here again, the idea was supported that an image of the famous mark could be transferred to other classes of goods in order for it to enjoy extended protection.³⁵⁴ This position is often repeated by the Supreme Court.³⁵⁵

³⁵³ Oberlandesgericht Köln. *Decision of 7 April 2011 in case DUMONT/Dumont Kölsch.*

³⁵⁴ K.H. Fezer puts it in the following words:

„Es darf nicht schon eine Verwässerung der Marke auf Grund der Existenz identischer oder ähnlicher, weil in typischen Merkmalen übereinstimmender Zeichen eingetreten sein. Wenn sich die überragende Verkehrsgeltung der Marke auf bestimmte Produktbereiche beschränkt, dann wird in der Regel eine Verwässerungsgefahr nicht bestehen, wenn identische oder ähnliche Marken auch in anderen Branchen benutzt werden. Die Beeinträchtigung der Werbekraft und damit eine Verwässerungsgefahr wurde abgelehnt für das für Teppiche berühmte *Ankerzeichen*, das auch für Polsterwaren verwendet wurde (BGH GRUR 1958, 393 – Ankerzeichen), sowie für die für Miederwaren berühmte Marke *Triumph*, die auch für Lederbekleidungsstücke verwendet wurde (BGH GRUR 1959, 25 – Triumph).“ FEZER, K.H. (4th. ed.). *Markenrecht: Kommentar zum Markengesetz, zur Pariser Verbandsübereinkunft, und zum Madrider Markenabkommen*. München: Verlag C.H. Beck, 2009, pg. 826.

³⁵⁵ E.g. Bundespatentgericht. *Decision of 28 June 2013 in case TÜV/ TÜg.*

Establishment of a link in case of truly dissimilar goods remains to be rather difficult especially in cases where nature of goods or services is so different that possible transfer of image of the earlier mark could not be presumed to exist. Although German courts do tend to analyse the question of link in such cases usually it is presented more as part of an evaluation of a possible harm rather than a question of a link. For example, in the *Duplo* case, the court ruled that the evaluation standard should be equally applicable to both goods or services and that qualities attributable to a specific group of goods must be evaluated each time on an individual basis.³⁵⁶

Even in the relatively rare cases where a mental link is analysed, the evaluation of its sufficiency usually is limited to the level of similarity between the two signs, without employing the global appreciation test and evaluating all the factors of the case as suggested by the CJEU in *Intel*.³⁵⁷

The under development of the mental link criterion has been spotted by the commentators, who also claim that the mental link is an independent factor that has to be evaluated by taking into consideration all factors of the case.³⁵⁸

To conclude on the issue of the link factor it can be said that this element is under developed in German case law. Although the case law has accepted the global

³⁵⁶ Oberlandesgericht Hamburg. *Decision of 18 September 2003 in case Duplo*.

³⁵⁷ Bundesgerichtshof. *Decision of 18 December 2008 in case Augsburger Puppenkiste*.

³⁵⁸ For example, Ingerl, R. and Rohnke, C. argue that:

„Die gedankliche Verknüpfung als eigenständiger Prüfungspunkt entsprechend der Verwechslungsgefahr ist vom BGH bisher nicht so klar herausgearbeitet worden wie in der jüngeren EuGH-Rspr. (oben Rdn. 1256ff.). Zum Teil wird noch terminologisch ungenau darauf abgestellt, ob die Zeichen gedanklich „in Verbindung gebracht“ würden (so BGH GRUR 2009, 772 – Augsburger Puppenkiste, Tz. 71), meist werden nur Zeichenähnlichkeit oder die Eingriffstatbestände erörtert. Wie oben dargestellt, ist die Frage des Vorliegens einer gedanklichen Verknüpfung aber auf der Grundlage des Ergebnisses der Abwägung aller Umstände des Einzelfalls zu beantworten.“ INGERL, R. and ROHNKE, C. (3rd ed.). *Markengesetz: Gesetz über den Schutz von Marken und sonstigen Kennzeichen*. München: Verlag C.H. Beck, 2010, ln. 1348.

appreciation test to be applicable for the establishment of a link, cases in which such analysis is undertaken are truly rare. Much more often, the analysis of the establishment of a link is confined to similarity between the two signs. This analysis is based on the same criteria as in the case of protection against confusion. German case law also reveals that the issue of a link in cases of reputed marks is usually mixed with the analysis of a possible detriment or unfair advantage and tends to evaluate the overall circumstances of the case without separating them into the elements of Articles 9 (1) 9 (3) and 14 (2) (3). A link (or an applicability) of the relevant provisions are more often confirmed in cases of similar goods. German practice reveals that the requirement of CJEU to separate and issue of a link and detriment/unfair advantage is not usually followed.

5.3.4 Detriment to distinctive character

As in the case of other jurisdictions discussed in this research, detriment to distinctive character remains the most unclear infringement of reputed marks. Similarly to the Office practice, German application of Articles 9 (1) (3) and 14 (2) (3) shows that reliance on the detriment to distinctive character not only is invoked less often than taking unfair advantage but also is less often successful.

Although as was seen previously, the pre-harmonization law granted famous marks truly wide protection against any use which could potentially impair the competition position of reputed mark, the generous approach was not transposed into the post-harmonization era. This is particularly interesting taking into consideration the fact that early German cases based on competition law and tort law were mainly concerned with detriment to distinctive character. However, probably a different wording of the provisions implementing the Directive and much lower standard of fame, required the German legal system to refrain from the generous interpretation of protection against “*verwässerung*”.

Understanding that detriment to distinctive character and protection against it as constituting an integral part of competition law is still valid today among a considerable proportion of commentators.³⁵⁹ Perhaps, such approach also influences the courts not to grant protection against detriment to distinctive character unless an actual effect on the reputed mark can be established.

Such position is articulated by German commentators who require not to base arguments on purely speculative possibilities.³⁶⁰

However, German case law proves that the analysis of actual or potential harm to a reputed mark does not constitute a substantial part of the application of Article 14 (2) (3). On the other hand, the circumstances of each case which, following the German case law have the biggest role to play in the applicability of protection against detriment to distinctive character – uniqueness of the mark and similarity of goods are discussed in more detail below.

The importance of the uniqueness of the mark on the market might be conditioned by the German legal tradition. As was discussed above, under the list of criteria

³⁵⁹ For example, Fezer, K. H. argues that:

„Schutzgegenstand ist nicht das Kennzeichen als Name des Produkts oder des Unternehmens, sondern als vermögensrechtlicher Bestandteil des Unternehmens. Zweck des Verwässerungsschutzes der berühmten Marke ist es, den Werbewert der berühmten Marke als einen vermögenswerten Besitzstand vor einer Beeinträchtigung Dritter zu schützen. Die Berühmtheit der Marke muss deshalb auf den schutzwürdigen Produktbereich ausstrahlen, für den Deliktsschutz begehrt wird.“ FEZER, K.H. (4th. ed.) *Markenrecht: Kommentar zum Markengesetz, zur Pariser Verbandsübereinkunft, und zum Madrider Markenabkommen*. München: Verlag C.H. Beck, 2009, In. 824-825.

³⁶⁰ INGERL, R. and ROHNKE, C. (3rd ed.). *Markengesetz: Gesetz über den Schutz von Marken und sonstigen Kennzeichen*. München: Verlag C.H. Beck, 2010, In., 509.

developed by the *Quick* decision, uniqueness of the mark played a substantial role in applying detriment protection.

For example, in the *Dumont* case, the fact that *Dumont Kolsh* was both a common surname and a descriptive term, played an important role in concluding that not only the defendant was not creating detriment to distinctive character but also could invoke the use of the mark as a potential due cause.³⁶¹ Similarly in cases based on trade marks which constitute a common word in a foreign language such as *Merci* or *Duplo*, the lack of uniqueness of the trade mark proved to be an important factor.³⁶² The reason for such approach was provided in the *Duplo* ruling, in which the court concluded that:

“Sobald eine Marke beschreibende Anklänge hat, kann das nicht gelten, denn dann stellt sich notwendig eine Vorstellung ein, die die Marke mit Eigenschaften des Produkts verknüpft, und der Betrachter erkennt einen Grund, warum das Produkt unter dieser Marke vertrieben wird, er kann also den Grund nicht darin sehen, dass es einen Zusammenhang mit der ihm bekannten berühmten Marke geben muss. Das Wort „duplo“ hat eine erkennbare quantitative Bedeutung, auch wenn sie nicht immer so sinnfällig ist wie dann, wenn es als Marke für eine Doppelklinge benutzt wird. In ihm steckt für jeden verständlich und wahrnehmbar die Wortwurzel für „doppelt“.”

The ordinary meaning of a trade mark in everyday language can preclude the consumers from making a mental link with a reputed mark and instead make them think about the actual meaning of the word and features it conveys.

³⁶¹ Oberlandesgericht Köln. *Decision of 7 April 2011 in case DUMONT/Dumont Kölsch.*

³⁶² Oberlandesgericht Frankfurt a. M. *Decision of 23 May 2012 in case Café Merci.*

However, the biggest attention in the case of possible detriment to distinctive character is paid to goods and services for which both marks are used or registered. It can be evidenced from the German case law that although analysis of the new EU provisions do convey protection not only for the origin function but also to the protection of goodwill, such protection is not feasible, or to be more precise, almost unfeasible, in cases where goods or services stand too widely apart.³⁶³

There can be several reasons behind the unwillingness to grant protection for marks used on dissimilar goods. Even before the *Intel* decision the German courts required any detriment to distinctive character to produce some form of harm. As in the case of establishing a link, the German courts are not satisfied with a mere association between the two signs, however the problems occur in showing that harm has occurred and providing evidence for this.³⁶⁴

In some cases such harm is established if the circumstances of the case suggest that consumers might wrongly associate two trade marks as being connected. Although such concept is not very different from confusion by association, it is employed by the German courts as a proof of sufficient harm to the reputed mark, for example, in keywords and domain cases.³⁶⁵

However, in the absolute majority of cases the true difference between goods or services marked by the two signs thwarts the confirmation of existence of detriment to distinctive character. Perhaps the reason behind such argumentation is the difficulty in construing possible harm in cases where there is a use of reputed marks

³⁶³ Oberlandesgericht Hamburg. *Decision of 18 September 2003 in case Duplo.*

³⁶⁴ Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II.*

³⁶⁵ For example, the Stuttgart court concluded on the existence of detriment as a result of infringement of association function in Landgericht Stuttgart. *Decision of 22 June 2010 in case Motorenöl.*

The court also found that trade mark Shell is diluted by its use as a domain name shall.de by the third party. Bundesgerichtshof. *Decision of 22 November 2001 in case Shell.de.*

on truly dissimilar goods. After the *Intel* case, dissimilarities between goods or services are also invoked as a proof of impossible change in economic behaviour of consumers. For example, in the *Dumont* case the court concluded that in spite of the type of infringement under Article 14 (2) (3), true dissimilarity of goods precludes occurrence of such change:

“Bei großem Abstand der Waren und einem nur geringen Anklang an die Klagemarken im angegriffenen Zeichen sind negative Veränderungen des Verbraucherverhaltens in Bezug auf die Markenwaren im Sinne der Tatbestände des § 14 II Nr. 3 MarkenG vorbehaltlich der gebotenen Gesamtabwägung nicht zu erwarten.”³⁶⁶

However, in general it must be noted that the new requirement of *Intel* is not intensively analysed in the case law. German courts do not engage in lengthy discussions on the possible meaning of this rule and in most cases confine the lack of infringement under relative provisions based on dissimilarity of goods.

Of course, in certain instances change in economic behaviour is taken into consideration when discussing possible harm to the reputed mark. For example, in the *Volsaktion* case the court felt reluctant to confirm the existence of detriment due to the fact that use of the sign similar to the famous Volkswagen trade mark the for

³⁶⁶ Oberlandesgericht Köln. *Decision of 7 April 2011 in case DUMONT/Dumont Kölsch.*

promotion campaign lasted only for a limited amount of time.³⁶⁷ However, the new *Intel* requirement is not accepted with enthusiasm and is weighed with caution.³⁶⁸

However, in spite of dissimilarity of goods and services, truly famous marks are granted wider protection irrespectively of the classes of goods and services for which they are used. This rule is especially applicable if the reputed mark is also an invented word, as the courts see no justification for a user of a later sign to choose an invented mark for his goods or services.³⁶⁹

Such position proves that the protection against dilution under the pre-harmonization and post-harmonization law is less different than it would seem at first. If the mark is unique and truly famous the protection against dissimilar goods or services is much more likely to be successful. In some instances even uniqueness of the mark in German language is not required for truly famous marks to be granted

³⁶⁷ Oberlandesgericht München. *Decision of 20 October 2011 in case Volks-Inspektion*. It must be noted that since then the German Supreme Court returned the case back to the court of the second instance. One of the issues, the court felt was under examined was the fact that detriment to distinctive character could occur after just one use. It remains to be seen if after such guideline from the German Supreme Court, the issue of the change in economic behaviour will be viewed in the same way by the lower court. See, Bundesgerichtshof. *Decision of 11 April 2013 in case Volks-Inspektion*.

³⁶⁸ For example, Hacker, F. Hackbarth, R. and von Mühlendhl, A. argue that:

“Pursuant to the German law, it was not required to adduce proof for the change in the economic behaviour of the average consumer in respect of the products for which the trade mark with a reputation is registered, as the Intel decision apparently requires now. In our opinion, it should also be sufficient in future if the owner of the trade mark with a reputation sets out that there is „a serious likelihood” that dilution will occur in the normal course. Stricter criteria should not be required in view of the need to give effective protection of the advertising value of trade marks.” HACKER, F., HACKBARTH, R. and VON MÜHLENDAHL, A. *Der Schutz gegen die Verwässerung einer Marke. Gewerblicher Rechtsschutz und Urheberrecht. Internationaler Teil*. 2010, No 822, pg. 855.

³⁶⁹ Oberlandesgericht Hamburg. *Decision of 18 September 2003 in case Duplo*.

protection with regard to dissimilar goods.³⁷⁰ Even the German commentators argue that the main evidence for proving detriment to distinctive character is providing confirmation of a very high knowledge threshold among the consumers or showing uniqueness of the mark for goods and services for which it is registered.³⁷¹

To sum up the German case law on detriment to distinctive character, several conclusions can be drawn. Firstly, detriment is in most cases established if the mark is unique on the market and its knowledge threshold substantially exceeds the minimum required. Secondly, it is very difficult to establish detriment to distinctive character in cases involving truly different goods and services, the relatively few cases successful in this regard are usually based on possible association between the proprietors of the two marks. Thirdly, change in economic behaviour of consumers or its risk has not been accepted by the German legal system as a meaningful condition in concluding the existence of detriment and strict requirement to apply it is seen as a possible harm to the advertising and good will functions of reputed trade marks.

5.3.5 Detriment to repute

Detriment to repute as a ground for trade mark infringement has been relied on in the German courts rather rarely. In most of cases this alleged harm is invoked in conjunction with possible detriment to distinctive character or taking unfair advantage of the repute. As a general remark it can be observed that reliance on the ground of tarnishment is dependent on a particular image that the mark possesses

³⁷⁰ For example, in the “Eipott” case, the court concluded on the existence of detriment to distinctive character and repute because the defendant was using a mark “eiPott” (the word combination which was admitted by the court to have a meaning in German) on eggcups. Oberlandesgericht Hamburg. *Decision of 9 August 2010 in case IPOD*.

³⁷¹ HACKER, F., HACKBARTH, R. and VON MÜHLENDAHL, A. Der Schutz gegen die Verwässerung einer Marke. *Gewerblicher Rechtsschutz und Urheberrecht. Internationaler Teil*. 2010, No 822, pg. 828.

from the consumers point of view. Similarly to the CJEU and most of the Office's practice, detriment to repute is successfully raised in two instances. Firstly, where goods or services marked by the junior sign *per se* convey a negative image, or secondly if their goods or services are incompatible with the nature of goods/services marked by the reputed mark.

Some commentators mention a third possible situation for detriment to repute – cases where the undertaking using the reputed mark itself is notoriously known among consumers,³⁷² and is generally understood as:

“Anders als bei der Rufausbeutung geht es bei der Fallgruppe der Beeinträchtigung der Wertschätzung um die unbefugte Verwendung der Marke durch Dritte mit der (konkreten) Gefahr der Übertragung eines negativen Images auf die bekannte Marke mittels Erweckung einer der Marke ungünstigen Assoziation in Form eines sogenannten inkompatiblen Zweitgebrauchs.”³⁷³

However, this ground of application is almost never invoked in German case law and has not received wider attention.

Very few cases based on the ground of detriment to repute were mainly related to the first type of situation – where identical to repute marks were used for the goods of a degrading nature. In the *Mars* case, the well-known mark for confectionary was used to sell condoms packed similarly to the chocolate bar and using a slogan “Mars macht mobil bei Sex-Sport und Spiel”. The Appeal court has acknowledged that the association of the chocolate trade mark with condoms can convey a negative image

³⁷² HACKER, F., HACKBARTH, R. and VON MÜHLENDAHL, A. Der Schutz gegen die Verwässerung einer Marke. *Gewerblicher Rechtsschutz und Urheberrecht. Internationaler Teil*. 2010, No 822, pg. 834.

³⁷³ PIPER, H. Der Schutz der bekannten Marken. *Gewerblicher Rechtsschutz und Urheberrecht*. 1996, No 429, pg. 441.

on the former product and benefits the producers of the latter. The courts found that potentially the user of the mark *Mars* could request a license from the trade mark proprietor and therefore their connection of the products could be established.³⁷⁴

However, it is important to note that this case was based on unfair competition law and although the reasoning of the detriment to the particular image of the mark is very similar to the argumentation of the CJEU in the much later *L'Oreal* case, this case is part of the unfair competition law practice.

In the second *Nivea* case, protection against detriment to repute was found to exist due to the use of the Nivea mark and advertising slogan (“Es tut NIVEA als das erste Mal” - ‘It never hurts more than the first time’) for condoms. In this case, the harm was also seen as part of unfair competition law.³⁷⁵

These two cases, although in theory often classified as belonging to the detriment to repute case law, are nevertheless based on competition law and by some commentators they are ascribed to the field of unfair advertising or parody.³⁷⁶

Commentators agree that detriment to repute can only be established if the reputed mark possesses a particular positive image and goods or services marked by it are known by their quality or reputation which can be used to the benefit of the junior user.³⁷⁷

³⁷⁴ Bundesgerichtshof. *Decision of 10 February 1994 in case Mars-Kondom.*

³⁷⁵ Bundesgerichtshof. *Decision of 19 October 1994 in case Markenverunglimpfung II Nivea.*

³⁷⁶ See, for example, PRÜFER-KRUSE, T. *Interessenschwerpunkte im Markenrecht.* München: Herbert Utz. Verlag, 2010, pg. 209.

³⁷⁷ “Soweit es auf den guten Ruf im Sinne einer Wertschätzung ankommt, kann diese(r) beruhen auf der Bedeutung des Unternehmens, der Höhe der Umsätze, der Qualität der unter der Marke vertriebenen Waren/Dienstleistungen, langer Tradition, Exklusivität und Prestigewert der mit der Marke gekennzeichneten Waren/Dienstleistungen.“ HACKER, F., HACKBARTH, R. and VON MÜHLENDAHL,

As will be seen in case of unfair advantage, the fact that goods or services of the reputed mark and the junior mark are unrelated in most of the cases thwarts the confirmation of infringement of trade mark rights, as the image of the reputed mark is not likely to be transferred to unrelated goods.³⁷⁸

If no imaginable transfer of particular features of the reputed mark is possible, German case law does not foresee possible harm to the reputed mark. Although in “*Deutschland sucht den Superstar*” case, the *Intel* requirement of change in economic behaviour was confirmed to be applicable in case of detriment to repute also, this rule was not put to practice yet and it remains to be seen how and under what circumstances the “change in economic behaviour” or its risk will be required to be proven.³⁷⁹

To conclude on the German case law based on the detriment to repute several conclusions can be drawn. Firstly, “*Wertschätzung*” as a ground of reputed trade marks protection is the least developed ground and needs clearer definition by the courts and the DPMA. Very few early cases protecting trade marks against the loss or weakening of their positive image were based on unfair competition law.

Furthermore, German practice does not draw a hard line between detriment to repute, taking unfair advantage and acting “*gegen die guten Sinne*” under unfair competition law. In all the three instances the requirement for damage is a transfer of image to the junior mark, which is only possible if goods or services marked by the two signs can be considered and perceived by consumers as related,

A. Der Schutz gegen die Verwässerung einer Marke. *Gewerblicher Rechtsschutz und Urheberrecht. Internationaler Teil*. 2010, No 822, pg. 828.

³⁷⁸ Oberlandesgericht Hamburg. *Decision of 9 August 2010 in case IPOD*.

³⁷⁹ Oberlandesgericht Köln. *Decision of 6 February 2009 in case Deutschland sucht den Superstar*.

complementary or otherwise linked in some way as this is the only reasonable ground to claim that the image transfer to the junior mark is beneficial to one side and detrimental to the other.³⁸⁰

5.3.6 Taking unfair advantage

From all of the infringements under Articles 9 (1) (3) and 14 (2) (3) the ground of unfair advantage has been analysed most thoroughly. Perhaps the reason behind this lays in the fact that protection against unfair advantage of reputed marks under the EU law is probably more similar to unfair competition law which is very developed under the German system.

Under German case law, taking unfair advantage of the distinctive character or repute of the mark is understood as an act of unfair competition.³⁸¹ Although the two grounds of infringement are theoretically presented as separate kinds of harm, in practice they are almost always discussed together.

Application of the rule on unfair advantage is understood as a non-random choice of the mark similar or identical to the reputed mark in order to attract consumers and to make good use of the quality of the goods connected with the products marketed under the reputed trade mark. German courts interpret such use as unfair advantage because reference to a known mark increases the attention of potential

³⁸⁰ The thin line between the detriment to repute and taking unfair advantage can be illustrated by the famous *Dimple* case which depending on the author is attributed either to the former or to the latter category of trade mark infringement.

³⁸¹ For example, in *Kleiner Feigling II*, the court admitted that conditions required for applying Article 14 (2) (3) and taking unfair advantage do not substantially differ from the requirements formed under the old case protecting trade marks under Article 1 of the Unfair competition law.

Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II.*

consumers of the junior sign which is an essential precursor of sales success in a new product.³⁸²

As was discussed above the attraction of consumers by taking unfair advantage of repute occurs due to “the image transfer” – the concept which was implemented into EU law by CJEU in *L’Oreal/Bellure*.³⁸³ During such transfer the positive reputation of the earlier mark is “shared” with the junior mark thereby the junior mark receives attention and positive affiliations.³⁸⁴

In order for the image transfer to occur the mark or in some instances its proprietor must possess a considerable positive reputation. According to the German practice, existence of such image depends on several aspects of the case – long establishment of the company, investment in a trade mark’s image, knowledge threshold among the public etc.

Whether the “transfer of image” can be confirmed to exist in most cases depends on the goods and services for which the junior mark is used. In some instances, which are probably the easiest to prove, unfair advantage can be established due to the fact that goods marked by both marks are so closely related that some form of business relationship between the trade marks proprietors could be assumed by

³⁸² Oberlandesgericht Hamburg. *Decision of 26 November 2011 in case Bullenmeister*.

³⁸³ CJEU concluded:

“<...>by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coat-tails of the mark with a reputation.” Para. 41 of the judgment. Court of Justice of European Union. *Decision of 18 June 2009 in case C-487/07 L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*.

³⁸⁴ Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II*.

consumers.³⁸⁵ An inability to confirm possible business or affiliation relationship from the view point of consumers is likely to preclude confirmation of unfair advantage.³⁸⁶

In other cases, the complementarity of goods or at least some relationship between the reputed goods and activities of the proprietor of the junior sign can be deemed sufficient.³⁸⁷ The general test for the occurrence of the “image transfer” is whether the consumer seeing the later mark would convey the particular positive features of the reputed mark to the products marked by the junior mark. If no particular image of the reputed mark or the product marked by it can be identified or, if identified, cannot successfully be contemplated to create positive additional value for the product marked by the junior sign, the existence of unfair advantage is not likely to be confirmed.³⁸⁸

One conclusion which can be drawn from the German point of view regarding application of unfair advantage to dissimilar goods is that no unfair advantage can

³⁸⁵ For example, in the Carrera decision the court concluded that use of the mark Carrera for bicycles is taking unfair advantage of the famous trade mark for cars because consumers could presume some relation between the two products or their manufactures. Oberlandesgericht Stuttgart. *Decision of 27 July 2006 in case CARRERA.*

³⁸⁶ Oberlandesgericht München. *Decision of 20 October 2011 in case Volks-Inspektion.*

³⁸⁷ For example, the LG Stuttgart court (GRUR-RR 2011, 96) concluded that use of the reputed mark for power saws as a keyword and advertiser for motor oil does take unfair advantage of the mark. The defendant was not able to successfully rely on the defense of fair competition as the court felt that the use of the mark could not lead consumers to believe, at least initially, that there was some form of relationship between the two marks. Landgericht Stuttgart. *Decision of 22 June 2010 in case Motorenöl.*

In another case the use of the mark of vacuum cleaners for vacuum cleaners’ bags was admitted to constitute unfair advantage in Oberlandesgericht Düsseldorf. *Decision of 5 October 2010 in case Staubsaugerbeutel.*

³⁸⁸ Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II.*

be established if the positive image of the reputed mark would not benefit the junior user. This rule which was confirmed in *Dimple* case, remains valid today.³⁸⁹

The question of unfairness and intention in the German case law is much less visible than in the UK system. The intention factor is in most of the cases inferred from circumstances and is considered to be sufficient for the establishment of unfairness.³⁹⁰ The intent is however a required element of unfair advantage and mere use of the mark is almost never proven to constitute unfair advantage before the analysis of additional elements of the possible infringement is confirmed. Lack of attention to the factor of unfairness has been spotted by commentators, some of whom even claim that due to the German influence on the European formation of unfair advantage and the lack of attention to this factor, the unfairness issue remains underdeveloped under today's EU system.³⁹¹ The element of intent to take advantage for its part is inferred from the circumstances of the case as well, and in the majority of cases, can be confirmed to exist if no justifying grounds for due cause can be established. For example, in the *Kleiner Feigling* case the court concluded that:

“Zur objektiven Aufmerksamkeitsausbeutung muss vielmehr stets das zusätzlich erforderliche Element der Anstößigkeit hinzutreten. Dieses kann regelmäßig aber erst dann angenommen werden, wenn eine Beziehung des eigenen Angebots zur gewerblichen Leistung eines anderen (nur) deshalb hergestellt worden ist, um von

³⁸⁹ In the *Dimple* case, the reputed mark for whiskey was confirmed to have suffered an unfair advantage due to its use on men's cosmetics, but was not established for the use of cleaning products. Bundesgerichtshof. *Decision of 24 November 1984 in case Dimple*.

³⁹⁰ See, for example, Oberlandesgericht Stuttgart. *Decision of 27 July 2006 in case CARRERA*.

³⁹¹ See, for example, FHIMA, I.S. *Trade mark dilution in Europe and the United States*. Oxford: Oxford University press, 2011, pg. 198-199.

dem fremden Ruf zu profitieren (vgl. hierzu BGH, GRUR 2004, 779- Yellow Phone, unter Nr. II a.E. und BGHZ 86, 90 [94] = GRUR 1983, 247 - Rolls Royce und BGHZ 126, 208 [213] = GRUR 1994, 732 - Mc Laren).³⁹²

The intention to take unfair advantage is also likely to be found in instances where the defendant did not have any reasonable grounds to choose the reputed mark for its activities.³⁹³ As a result, absence of “due cause” under the German system plays a very prominent role as it supposes intent and unfairness. This conclusion is also reinforced by the fact that under the old case law on application of Article 1 of the Unfair Competition Act, the decision of the defendant to choose the reputed mark as a reference point for his goods or services could, in most cases, imply misappropriation.³⁹⁴ In general it can be said that that German courts, just as the CJEU, struggle to identify the elements of unfairness and due cause. Just as in the case of establishing a link, the German legal system tends to globally evaluate all the facts and does not pay a particular attention to either existence of unfairness or due cause. Lack of intent or a need for a third party to use a general word can be

³⁹² Oberlandesgericht Köln. *Decision of 29 October 2004 in case Kleiner Feigling II.*

³⁹³ Oberlandesgericht Stuttgart. *Decision of 27 July 2006 in case CARRERA.*

Similarly in TÜV/ Tüg case, the Bundespatentgericht ordered the declaration invalidity of the Tüg mark for closely related services on the ground that the choice of the junior mark seemingly was not based on any reasonable grounds.

³⁹⁴ For example, Yook, S. argues the following about the German case law:

“The exploitation of another’s reputation may be assumed, if it is, for reasons other than the direct appropriation of concepts of quality, an important element in sale of certain goods, and in connection with the reputed goods of the other person, if the defendant has decided to refer to those goods in his marketing program for exactly this reason.” YOOK, S. Trade mark dilution in European Union. *International Legal Perspectives*. 2001, No 11-SPG, pg. 261.

considered as precluding occurrence of unfair advantage without the analysis of which particular elements of the provision are not present.³⁹⁵

After the *Intel* and *L'Oreal* decisions the German legal system faced the question of evidence in applying the protection of reputed marks. As was discussed above, the question of possible requirement of confusion in applying Article 14 (3) was never a serious issue.³⁹⁶ However, after the *Intel* ruling of the CJEU the answer regarding the change in economic behaviour factor and its applicability to unfair advantage was left open.

It was shown that German case law did not accept the new criterion of the CJEU of the change in consumers' economic behaviour with a lot of enthusiasm in the field detriment to distinctive character. Unsurprisingly, this new requirement was declared not to be applicable in the case of unfair advantage as it was too burdensome in *Deutschland sucht den Superstar*.³⁹⁷ It can be deduced from the Köln's court conclusions that the concept of change in economic behaviour could be applicable in cases of detriment to repute as well, however the protection against taking unfair advantage would suffer from the effectiveness point of view if actual

³⁹⁵ In *Ostsee-Post* case, the German Supreme Court analysed the need to allow use of a word post to other companies in the general context of Article 14 (2) (3) and not just as a possible special ground for a due cause. See Bundesgerichtshof. *Decision of 2 April 2009 in case Ostsee-Post*, Similarly in *Tagesreport* the German Supreme Court analysed a use of a word 'day' in a name of a TV program as falling under both categories- fairness and due cause. Bundesgerichtshof. *Decision of 1 March 2001 in case Tagesreport*.

³⁹⁶ "Dies kann auch ohne Herkunftstäuschung geschehen, wenn dadurch für die eigene Ware der Ruf des fremden Erzeugnisses, insbesondere eine damit in Folge seiner Qualität oder in Folge besonderer Werbeanstrengungen des Herstellers verbundene Gütevorstellung ausgenutzt wird." INGERL, R. and ROHNKE, C. (3rd ed.). *Markengesetz: Gesetz über den Schutz von Marken und sonstigen Kennzeichen*. München: Verlag C.H. Beck, 2010, In.868.

³⁹⁷ Oberlandesgericht Köln. *Decision of 6 February 2009 in case Deutschland sucht den Superstar*.

or serious risk of its occurrence was required to be provided in cases of unfair advantage. The conclusion was also confirmed, although indirectly, in later cases where the courts claim that mere association between the two marks is not sufficient, however either change of economic behaviour or “parasitic behaviour” of the defendant must be established to invoke additional protection for reputed marks – most likely implying that following the guidelines of *Intel* and *L’Oreal* the former evidence is applicable to detriment and the latter to unfair advantage.³⁹⁸

To sum up the German practice of taking unfair advantage it must be concluded that it remains the most developed and relied upon of all the three types of protection available to reputed marks. Unfair advantage application by the courts even after the EU courts’ influence remains closely related to unfair competition law. To successfully rely on this ground the trade mark proprietor must prove particular image the use of which on goods or services of the junior sign could benefit the junior user by transferring part of the image power.

Contrary to the UK courts, German case law does not place a lot of weight on the factors of unfairness and intent. In most cases the overall circumstances of the case and the fact that the junior user did not have any reasons to use the reputed mark suffices to infer intent and unfairness. An analysis of unfairness and due cause is undertaken together thereby following the line of confusion introduced by the CJEU in unfair advantage cases.

Furthermore, it is important to note that as in the case of detriment, taking unfair advantage in most cases is only relied upon with success if the goods marked by the reputed and the junior signs are similar, at least in some way. In most cases an image transfer to the junior mark is perceived to cause damage if consumers are able to establish some kind of association, affiliation or license relationship between the

³⁹⁸ Oberlandesgericht Köln. *Decision of 7 April 2011 in case DUMONT/Dumont Kölsch.*

two trade mark proprietors. Lastly, it must be noted that the German courts do not accept the requirement of change in consumers' behaviour under the unfair advantage field and infers infringement of a mark or a risk of it from the overall circumstances of the case.

5.4 Conclusions

The analysis of the German legal system in the field of protection of reputed marks can be summarized in several conclusions. Firstly, the pre-harmonization protection of famous marks which was developed by the case law was based on very strict but relatively clear criteria which allowed protection for truly known and unique marks. Although the protection was effective regarding non similar goods the strict criteria for marks to qualify as famous did not artificially expand the protection of trade marks. Secondly, famous marks were considered to be harmed if their uniqueness or competitive position were infringed. The requirement of potential harm to the mark was inferred from the overall circumstances of the case and was not burdened by additional criterion such as "change in economic behaviour".

The new Trade Mark Act implemented the EU provisions on reputed marks in 1994 and since 2009 introduced a new relative ground of opposition in trade mark registration procedures. However, the new provision so far has been applied relatively slowly and the true position of the DPMA and Bundespatengericht regarding this issue is awaited.

The case law on reputation and the establishment of a link between the two signs shows that German courts have accepted the lower knowledge threshold requirement and niche fame. However, the research has revealed that reputation is easier confirmed to exist in case of marks used for goods aimed at the public at large and in cases of truly famous marks. Although similarity between the marks was confirmed to be evaluated based on the same criteria as for the purpose of establishing confusion, the new factor of link under the Trade Mark Act remains underdeveloped and is usually confined to evaluation of similarity between the

marks. In general, the German legal tradition of applying global appreciation test is also felt in a manner in which the courts deal with an issue of a link. This element of the relevant provisions is usually not analysed separately but incorporated in the discussion on a possible infringement of the mark.

Detriment to distinctive character remains in need of further clarifications and definition through case law. Its application is much more often confirmed in cases of similar or related goods which could also fall under the heading of confusion by association. In cases of truly dissimilar goods, finding detriment to distinctive character remains extremely rare and can only be perceived in case of unique and invented marks which are known to the public at large.

As for detriment to repute, it can be concluded that protection remains underdeveloped and underused. Very few cases based on this ground were decided by means of unfair competition law. Theoretically detriment to repute requires a particular image which could be harmed by either products of a degrading nature or products which are incompatible with the reputation of the senior mark. In practice, however, such cases are either decided by means of unfair competition or unfair advantage.

The last infringement ground – taking unfair advantage is the most developed and most often relied upon. Contrary to the UK legal system almost no attention is paid to factors of unfairness which is deduced from the lack of due cause. Furthermore, elements of unfairness and due cause are hardly separated under German case law and their analysis is reminiscent to the position of the CJEU thus lacking clarity and systematic approach. Taking unfair advantage under German law results from the image transfer which benefits the junior user and harms the senior user.

Under this ground the transfer of image is only imaginable if goods marked by the junior sign are in some way related as the transfer of image must be beneficial to the junior mark. If no connection can be established such transfer is much less

likely. Furthermore, such transfer can only be harmful if the reputed mark possesses a qualitative image which must be evaluated as part of the reputation criterion.

Lastly it can be observed that the German legal system views the protection of reputed marks as part of the wider competition law framework. Such approach results in global assessment of the case which focuses less on particular criteria but pays more attention to the overall circumstances of the case.

6 Chapter V – Protection of reputed marks in Lithuania

6.1 Introduction

The previous chapters of the research revealed the historical developments of the protection of reputed marks and different justifications for particular protection of reputed or well-known marks. Furthermore, analysis of the UK and German jurisdictions showed how long standing legal traditions such as passing off in the UK or unfair competition law in Germany influence practical applicability of EU provisions on reputed marks. Lithuania acceded to the EU in 2004 and prior to that date did not provide protection for reputed marks. As a result, implementation of the EU law provisions and their practical application was not influenced by legal tradition in this or closely related fields. For this reason, this jurisdiction provides a valuable input for the research as it illustrates how the EU provisions are applied in countries with no prior experience in protecting marks beyond the principle of specialty. This chapter will provide a short analysis of pre-harmonization laws and case law and will discuss practical application of the EU provisions.

6.2 The regulation of trade marks before independence and the first national rules

Lithuania's independence from the Soviet Union proclaimed in March 1990 inevitably changed the political course and future of the country.³⁹⁹ The new constitution approved by the people came into force on 2 November 1993 and set the main guidelines for the future politics and political orientation of the country. The Constitutional Act "On the Non-Alignment of the Republic of Lithuania to Post-Soviet Eastern Unions" (*Dėl Lietuvos Respublikos nesisijungimo į postsovietines Rytų sąjungas*) of 8 June 1992 automatically precluded Lithuania's further close co-operation with the former Soviet Union countries and opened the possibility of seeking membership of the European Union and NATO.

During Lithuania's first period of independence (1918-1940) national legislation addressed intellectual property issues, trade mark regulation was provided for in the Law on the Protection of Trade Marks of 1925.⁴⁰⁰ However, after the Second World War II and Lithuania's occupation by the Soviet Union (hereinafter – the USSR), the Civil Code of the Soviet Republic of Lithuania of 1964 came into force and established a centrally organized regulation of trade mark law issues. The Civil Code provided for the obligations of legal entities related to company names and trade marks to be regulated by the laws of the USSR.⁴⁰¹ Trade mark registration and related issues were governed by order of the USSR Government No 422 "Regarding

³⁹⁹ *Constitution of the Republic of Lithuania* [in English] [interactive. Checked on 23 February 2013]. Available at: <<http://www3.lrs.lt/home/Konstitucija/Constitution.htm>>.

⁴⁰⁰ Law on protection of trade marks of 27 June 1925 established that the following signs should be considered as trade marks: stamps, labels, original paintings, impressions, packages and other terms, which are used by merchants, craftsmen and manufactures to label their products, goods or dishes. Law on protection of trade marks (*Prekių ženklams saugoti įstatymas*) *Vyriausybės žinios*, 1925, No 183-1241.

⁴⁰¹ Civil Code of the Soviet Republic of Lithuania [interactive. Checked on 15 February 2015]. Available at: http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_1?p_id=20466&p_query=&p_tr2=>.

trade marks” and the USSR Government’s committee’s on inventions and discoveries order “Rules on trade marks” dated 8 January 1974.

Just after independence was declared, Lithuania’s legal system faced the difficult challenge of establishing an almost entirely new legal system that could facilitate creation of the free market and the same time ensure the continuity of legal rights created by the soviet rules.

The first step of the Lithuanian Government in ensuring the undisturbed functioning of previously secured rights in the field of intellectual property was to establish a system allowing trade marks which were registered under the old regulation to be recognised and valid in Lithuania. For this purpose, on 20 May 1992 the Lithuanian Government adopted order No 362 on Protection of intellectual property in the Republic of Lithuania (*Dėl pramoninės nuosavybės teisinės apsaugos Lietuvos Respublikoje*).⁴⁰² The order established that trade mark certificates issued by the USSR patent office were registered in Lithuania for a period of 10 years provided that the trade mark proprietor submitted a request and paid a registration fee at the State Patent Bureau (hereinafter – the Bureau) up until 30 April 1993. The same rule was applied regarding trade marks which at the time of the declaration of independence were valid in the USSR under the Madrid system. Trade marks which were not registered at the Bureau were no longer protected as of 30 April 1993.

Order No 362 established that proprietors of trade marks registered in the USSR patent office were only required to provide registration documents and documents evidencing the payment of a registration fee. Continuity of rights was ensured by compliance with two cumulative conditions: 1) validity of the trade mark registration certificate issued by the USSR patent office; 2) submission of a request for registration and supporting documents to the Bureau. Thus, new rules did not

⁴⁰² Protection of intellectual property in the Republic of Lithuania (*Dėl pramoninės nuosavybės teisinės apsaugos Lietuvos Respublikoje*). *Valstybės žinios*, 1992, No 19-569.

provide the Bureau with a right to refuse registration of trade marks previously registered within the USSR trade mark registry on material grounds. Previously within the USSR registry, listed trade marks could only be refused on purely formal grounds— namely failure to comply with the two cumulative conditions listed above.⁴⁰³

On 10 June 1994, the Civil Code of 1964 was amended introducing a very limited regulation of copyright law. The said amendment also established that national laws of the Republic of Lithuania were to become applicable to trade marks.

As joining the EU was a primary political goal of the country, national laws in the fields directly related to trade and functioning of the market had to be further amended. Intellectual property was one of the fields which had to be revised substantially, or to be more precise in many aspects, newly introduced into the legal system. As a result of the centrally arranged regulation of trade mark questions, Soviet laws in force at the time of 1990 did not facilitate the functioning of the newly emerging free market, therefore, further reforms in the field were inevitable.

On 15 September 1992, the Law on Competition (*Konkurencijos įstatymas*), which also covered questions of unfair competition, came into force and it was soon followed by other laws in the field of intellectual property. On 3 June 1993, the Law

⁴⁰³ The Lithuanian Supreme Court has declared that trade mark registrations performed under the order No 362 and implementing rules must be governed only by the provisions established therein. As a result, interested parties do not have a right to request a declaration of invalidity of trade mark registration based on provisions of the Paris Convention or later national rules. Supreme Court of Lithuania. *Decision of 3 December 2001 in case No 3K-3-1340/2001*.

As it was discussed above, order No 362 “Protection of intellectual property in Republic of Lithuania” established only formal grounds for refusal of registration of USSR trade marks. As a result, former registrations of former USSR trade marks under the order No 362 could only be declared invalid on formal grounds of failure to submit request or documents evidencing payment of fees.

on Trade and Service Marks (*Prekių ir paslaugų ženklų įstatymas*) was enacted and on 15 October 1993 Rules on Registry of Trade and Service Marks (*Isakymas dėl prekių ir paslaugų ženklų registracijos*) came into force by order No 15 of the Bureau establishing more detailed procedures regarding the registration of trade marks and opposition procedures.⁴⁰⁴ The rest of the rules relevant to the field were passed within the following years thus finalising the legislative phase of the legal reform.⁴⁰⁵

Introduction of a new and much more effective regime of protection granted for trade marks can be revealed not only from the enactment of the abovementioned legal acts but also from the attention paid to this industrial property right in other legal acts. For example, Article 16 of the Law on Competition provided that the unauthorised use of a trade mark constituted an act of unfair competition, whilst the Criminal Code established criminal liability for the illegal use of trade marks. Trade marks were recognised as a property therefore, rights of disposition, possession and use were established in different legislative acts concerning arrest, pledges and other questions related to property law.

It is regretful that there is currently no material related to preparatory work on the Law on Trade and Service Marks of 1993 available. Although neither the text of the

⁴⁰⁴ Law on Trade and Service Marks (*Prekių ir paslaugų ženklų įstatymas*). *Valstybės žinios*, 1994, No 1993-06-11, Nr. 21-507. Rules on Registry of Trade and Service Marks (*Isakymas dėl prekių ir paslaugų ženklų registracijos*). *Valstybės žinios*, 1994-01-05, No. 1-17.

⁴⁰⁵ The Law on Patents on 18 November 1999, the Law on Industrial Designs on 1 September 1995, the Law on Copyrights and Neighbouring Rights on 9 June 1999 and 21 July 1999 the Law on Company Names were adopted.

law nor its preamble makes any reference to them, the wording of the provisions can be related to the Paris Convention⁴⁰⁶ and the TRIPS Agreement.⁴⁰⁷

⁴⁰⁶ This is hardly surprising, since the Paris Convention is the international instrument in the field of industrial property which has the highest number of participants and regarding the fact that Lithuania ratified the Paris Convention in 1996, this being the first international instrument in the field to which Lithuania became a participant. Influence of the Paris Convention is also evidenced from a right to proprietors of well-known mark to oppose registrations and request termination of use of later signs. A concept of a well-known mark was not present in the Soviet era legislation and must have been introduced as a necessary measure for joining the Paris Convention.

At the end of 1993, the Paris Convention had 173 members [interactive. Checked on 30 December 2013]. Available at: http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=ALL&start_year=1884&end_year=1993&search_what=C&treaty_id=2.

Law on ratification of the Paris Convention for Protection of Intellectual Property (*Lietuvos Respublikos įstatymas dėl Paryžiaus konvencijos dėl pramoninės nuosavybės apsaugos ratifikavimo*), No I-1349. Valstybės žinios, 1996, No 1289.

Although not all preparatory work can be found regarding early legislation in the period of 1991-1994, the influence of EU law can be traced back in almost all fields of legislation since Lithuania officially applied for membership of the EU as early as 8 December 1995.

Influence of the Paris Convention and the Directive can also be seen in the case law of the Supreme Court of Lithuania. Although the rulings of the court do not analyse the historical background of the Law on Trade and Service Marks, some rulings do give references to these legal instruments, especially when the analysis of a particular absolute or relative ground for refusing to register a trade mark is discussed. See e.g. Supreme Court of Lithuania. *Decision of 17 May 2000 in case No 3K-3-554/2000*.

⁴⁰⁷ Importance and compliance with the requirements of the Paris Convention at the time of adoption of the Law on Trade and Service Marks of 1993 are evidenced from the documents related to Lithuania's accession to the WTO in 2001. Such documents indicate that during the accession to the WTO negotiations the Lithuanian government still had to undertake to make legislative amendments to the Law on Trade and Service Marks of 1993 in order to comply with TRIPS requirements. However, WTO members considered Lithuanian law to be in full compliance with the Paris Convention. See, Lithuania's accession to WTO

Without a deeper analysis of the regulation, it is sufficient to note that the general principles established by the Paris Convention and the TRIPS Agreement – national treatment requirement, right of priority, protection of well-known marks, protection of company names and protection of service marks – are fully reflected in the Law on Trade and Service Marks of 1993. The impact of these legal instruments in the field of the present research will be revealed in more detail in the following chapters.

6.2.1 The Law on Trade and Service Marks of 1993

6.2.1.1 Refusing the registration of trade marks under the Law on Trade and Service Marks of 1993

Article 4 of the Law on Trade and Service Marks of 1993 which was applicable until 2001 when the new law on trade marks came into force, provided that a sign shall not be registered if it is identical or confusingly similar to marks which are well-known in the Republic of Lithuania and which belong to other legal or natural persons.

Article 12 established that any interested person could submit an opposition within 3 months after the publication of a trade mark application based on Articles 2-4 of the Law on Trade and Service Marks of 1993.⁴⁰⁸

document WT/ACC/LTU/52, para 162 [interactive. Checked on 29 November 2013]. Available at: <http://www.wto.org/english/thewto_e/acc_e/completeacc_e.htm#countries>.

Lack of protection in the Law on Trade and Service Marks of 1993 provided in Article 16 (3) of TRIPS only proves that implementation of TRIPS provisions were postponed until the accession to the WTO.

⁴⁰⁸ Article 2 provided which elements can constitute a trade mark, Article 3 established absolute grounds for refusing to register a trade mark and Article 4 – relative grounds.

As the above mentioned provisions reveal, the Law on Trade and Service Marks of 1993 established protection for well-known trade marks. Article 4 provided that the Bureau had the possibility of refusing registration if the later mark was simply similar or identical to an earlier well-known mark without requiring that the later mark was applied for in relation to similar/identical goods or services. Article 12 also provided a right for the owner of a well-known mark to oppose registration of a later trade mark if the latter did not meet the requirements of Article 4 - namely when the mark was similar or identical to a well-known mark irrespective of the classes it was applied for. Other than the rights of well-known trade mark owners, Article 12 did not establish a right of an owner of a reputed trade mark to submit an opposition against registration of a later mark on the basis of an alleged infringement of a trade mark reputation. Reputation or “good name” as a relative ground of refusing registration of a trade mark was not adopted in later amendments of the Law on Trade and Service Marks of 1993 either. Neither was the term “reputation” introduced in the law by later amendments.⁴⁰⁹

It is also important to note that Article 20.3 (4) of the “Rules on Registration of Trade and Service Marks” established that opposition could only be based on a

⁴⁰⁹ Before beginning the analysis of the relevant provisions of the Law on Trade and Service Marks of 1993, it is important to clarify the concept “prekių ženklas, turintis reputaciją” (English equivalent “trade marks having reputation”). As it is common for EU legislation, linguistic peculiarities create some uncertainty about the terms employed in legal regulation. The official Lithuanian translation of the Directive, the Regulation and EUCJ case law uses terms “trade marks having a good name” and “trade marks having a reputation”. Therefore, further analysis of the Law on Trade and Service Marks of 1993 and the implementing rules must take into consideration both Lithuanian notions and assess them as having equal meaning.

Law Amending Law on Trade and Service Marks dated 13 November 1997, No VIII-515. *Valstybės žinios*, 1997, No. 108-2733. Article 20 of the Law on Trade and Service Marks was not amended during the validity term of the legal act.

particular provision of the Law on Trade and Service Marks of 1993.⁴¹⁰ Since infringement of reputed marks was not provided for in the Law on Trade and Service Marks of 1993, the Bureau could not apply this as a ground for refusal of registration or opposition.

Article 20.6 of the “Rules on Registration of Trade and Service Marks” provided for the decisions of the Board of Appeal of the Bureau on requests to declare registrations of trade marks invalid to be published in the Gazette of the Bureau. Decisions published in the Gazette since 1993 till 2001 – until the new law came into force – reveal that in fact no interested person tried to submit an opposition against a trade mark registration based on a ground of reputation or “good name” of an earlier trade mark. However, decisions reveal that well-known marks were sometimes invoked to attack registrations of later marks.

6.2.1.2 Rights of trade mark proprietors under the Law on Trade and Service Marks of 1993

Article 20 of Law on Trade and Service Marks of 1993 established rights of trade mark proprietors in a following way:

“20 (3). The holder of a registration shall have the right to prevent third parties from using, without his authorisation, in any way that jeopardises the distinctive character of the registered mark, any sign which is identical or similar to the mark.

20 (4). The following uses of a sign shall be considered to be uses that jeopardise the distinctive character of the mark:

⁴¹⁰ Article 20.3 (4) of the “Rules on Registry of Trade and Service Marks” provides:

“Motives and ground of the opposition – this means a reference to particular articles of the *Law on Trade and Service Marks* [authors remarks], which in the opinion of an interested person have been infringed and motives which the person uses to evidence such infringements.”

1) using the sign as a trade name or as means of identifying the premises of an enterprise, where such use would, in view of the mark and the goods or services for which it is registered, be likely to mislead the public; and

2) reproducing or referring to the sign in publications or in any other public media in a way that conveys the impression that the mark has become the generic name of a particular good or service.

20 (5).The holder of a mark which is considered to be well-known in the Republic of Lithuania shall, even if it is not registered under this Law have the right to prevent third parties from using in commerce, without his authorisation, any sign which constitutes are production, an imitation or a translation of the mark. The definition of a well-known mark shall be established by the State Patent Bureau.”

Again it is seen that the law did not grant any additional rights for proprietors of reputed marks in comparison to other registered trade marks although extensive protection of well-known marks continued to be secured by the law.

Article 20 (3) of the Law on Trade and Service Marks of 1993 granted a registered trade mark proprietor the right to prohibit the use, without his authorisation, of any sign which is identical or similar to the mark in any way that jeopardizes the distinctive character of the registered mark. This is an interesting provision which cannot be traced back to the Paris Convention, however clearly resembles the protection provided for trade marks with reputation in Article 10 (2) (c) of the Directive and established the protection of trademarks beyond the principle of specialty.

Article 20 (3) and Article 20 (4) provided protection of distinctive character to all trade marks, without limiting this protection to a particular group of trade marks or imposing additional conditions for exercise of this type of protection. The only condition for exercise of this right was a registration of a trade mark. As the law did not foresee any rules for the protection of reputed or famous marks, most likely the

above mentioned provision provided an illustrative list of uses that could constitute confusing use of similar or identical mark. It has to be noted, that as a result of this requirement proprietors of not registered well-known marks could not exercise this wide right, since Article 20 (3) required that a trade mark would be registered in order for the proprietor to enjoy protection against damage to the distinctive character.

It must be noted that in spite of a broad protection provided in Article 20 (3), only a few court rulings on the application of this provision exist. The most important ones clarify some of the uncertainties left by the legislator.

On 28 April 1999 the Court of Appeal delivered its ruling in case No 2A-126 /1999. The claim against trade mark infringement on the basis of violation of a distinctive character of a trade mark was filed by Lithuanian Railways which was the proprietor of several trade marks, including a figurative mark “LG” (which stands for “*Lietuvos Geležinkeliai*”, in English “*Lithuanian railways*”). The plaintiff requested that the Korean based company LG Electronics Inc., the manufacturer of house hold appliances, and its distributor in Lithuania terminate the use of a sign “LG” (which was also at the time applied for registration at the Bureau). The Vilnius district court dismissed the claim and found that the defendant’s sign was used for dissimilar goods and services therefore no risk as to the function of the trade mark – to identify goods of one producer from goods produced by other entity – could be established. The Court of Appeal left the ruling of the court of first instance unchanged; however, its argumentation shed some light on requirements of application of Article 20 (3). Firstly, the court analysed whether any confusing similarity between the trade mark of the plaintiff and the sign of the defendant could be identified. The court came to conclusion that no confusion was present. Secondly, the plaintiff argued that services which are offered by the defendant (maintenance and repair of house hold appliances) were similar to services for which the trade mark of the plaintiff mark was registered. The court dismissed the arguments of the plaintiff

and concluded that the type of services and circumstances of their provision were in essence different. Therefore, the appeal was dismissed.

The ruling provided some clarification regarding the application of Article 20 (3). Firstly, a new requirement was established, namely that a trade mark which distinctive character was claimed to be infringed and the sign should be confusingly similar. The concept of “confusing similarity” was not used in the wording of Article 20 (3), instead the provision required the sign to be similar to the mark and to mislead the public in view of the mark and the goods or services for which it is registered.⁴¹¹ Secondly, the ruling revealed that trade marks could only be protected against use related to similar goods and services.

Except for the one ruling of the Court of Appeal discussed above, the case law analysis reveals that litigation concerning rather known trade marks and especially foreign brands was based on the ground of protection of well-known marks.⁴¹² Such position can be understood as a declaration of a well-known status allowed protection of the mark against the registration of similar trade marks irrespectively of goods and services as well as provided rights to request declaration of registration

⁴¹¹ However, one has to note that the above mentioned influence of the Directive is very much present in the case law regarding the analysis of the concept of “likelihood of confusion” employed in Article 20 (1). Therefore, it is hardly surprising that the same line of argumentation was invoked in application of Article 20 (3). To mention just a few most important cases dealing with similarity of signs which pioneered in the introduction of the concept of „confusing similarity. “ Court of Appeal. *Decision of 13 June 2000 in case No 2A – 113 / 2000.*

⁴¹² The most prominent cases of this period can be mentioned: Court of Appeal. *Decision of 15 June, 2004 in case No 2A – 161/2004*, Court of Appeal. *Decision of 12 May 2003 in case No 2A– 99/ 2003*, Supreme Court of Lithuania. *Decision of 15 December 2003 in case No 3K-3-1191/2003.*

invalidity in court.⁴¹³ However, surprisingly all the cases in which trade mark owners requested the declaration of the status of a well-known mark reveal that trade mark proprietors did not seek to invoke the additional argument of the possible harm to a distinctive character even if marks were registered in the Bureau.

6.3 Conclusions

The Law on Trade and Service Marks of 1993 reveals that no protection for marks with reputation was established. The law granted a right to registered trade mark proprietors to oppose the use of later signs which potentially damaged the distinctive character of trade marks. However, the protection of the distinctive character of marks was not limited to a particular type of trade mark and could be enforced by a proprietor of any registered trade mark. Very limited case law on the application of Article 20 (3) reveals that the very wide protection foreseen by this provision was limited by introducing two additional requirements – contested sign had to be confusingly similar to the registered trade mark and had to be used for similar or identical goods or services.

Since protection against use of confusingly similar or identical signs for similar/identical goods or services provided for in Article 20 (1) encompasses the protection of distinctive character, juridical interpretation of Article 20 (3) practically equalled the rights set in both provisions thus raising the question of the usefulness of Article 20 (3).

⁴¹³ Article 20 (5) of the Law on Trade and Service Marks of 1993 provided that the definition of the notion “well-known trade mark” must be established by the decree of the State Patent Bureau. Such decree was adopted in 1994 (Decree No 21 “Regarding well-known trade marks” of 21 December 1994, unpublished) and provided criteria to recognize a trade mark as well-known. The decree also established that only a court can declare a mark to be well-known. Therefore, trade mark proprietor wishing to obtain rights awarded for well-known marks had to submit a request for the court to declare his mark as well-known prior to or in parallel request to legal actions against third parties.

On the other hand, the Law on Trade and Service Marks of 1993 did not establish a right for the Bureau or competent courts to refuse a registration or declare a registration invalid on any grounds corresponding to Article 5 (3) (a) of the Directive (similarity or identity with an earlier trade mark having a reputation). The very broad right of well-known marks to oppose registration of later marks and preclude their use on dissimilar goods was almost not exercised in practice and therefore did not have a substantial influence on the scope of trademarks proprietors' rights.

Lastly, transitional legal provisions ensuring continuity of trade mark registrations made under the central USSR system, precluded trade mark owners from contesting the validity or use of trade marks registered in Lithuanian under the order of the Lithuanian government No 362 on "Protection of intellectual property in Republic of Lithuania".

6.4 Law on trade marks of 2000 – implementation of the Directive

Fostering further international integration required more active participation in the international community. In the field of intellectual property this was very much evidential since Lithuania became a party of numerous international agreements within several years of independence.⁴¹⁴ Plans to join the EU and a National

⁴¹⁴ Names of international treaties ratified by Lithuania in the field of industrial property and dates of the entry into force of the treaties for Lithuania:

- * Singapore Treaty (June 1, 2013);
- * Hague Agreement (September 26, 2008);
- * Budapest Treaty (May 9, 1998);
- * Trademark Law Treaty (April 27, 1998);
- * Madrid Protocol (November 15, 1997);

ACQUIS implementation programme, as one of the first legislative reforms, required substantial amendments to trade mark law. Since the first negotiations with the EU coincided with primary efforts to accede the WTO and the TRIPS agreement, major changes to the Law on Trade and Service Marks of 1993 had to be introduced.

Preparatory work on the text of the new law on trade marks reveals that several new draft bills were registered at Parliament in 2000.⁴¹⁵ All the proposals introduced a concept of “trade mark having a reputation” (Lithuanian “*prekių ženklas, turintis reputaciją*”), however the new term was defined neither within the preambles, nor the parts of the glossary of the draft bills.⁴¹⁶ The Lithuanian Parliament adopted the

* Nice Agreement (February 22, 1997);

* Patent Cooperation Treaty (July 5, 1994);

* Paris Convention (May 22, 1994);* WIPO Convention (April 30, 1992);

* WTO member and party to the TRIPS Agreement (May 31, 2001).

⁴¹⁵ Data base of the Lithuanian Parliament: www.lrs.lt.

Without going deeper into an overall analysis, it is sufficient to mention that the four proposals of the new law on trade marks coincided in regulating two questions mostly relevant for the present research. Firstly, the proposals did not provide for the possibility of invoking similarity or identity of a reputed trade mark against a later sign as an opposition ground at a trade mark registration phase, or as a ground to request invalidity of a registration in court. Secondly, all proposals set an identical right for a proprietor of a reputed trade mark to oppose use of a later sign.

⁴¹⁶ It was discussed previously that the official Lithuanian translation of the Directive and the Council Regulation No 40/94 employed the term “*prekių ženklas, turintis gerą vardą*”, however preparatory work on the new law does not provide any explanations on the choice of the new term.

new Law on Trade Marks on 10 October 2000.⁴¹⁷ The new law came into force on 1 January 2001.

6.4.1 Protection of national reputed trade marks

Subparagraph 3 of paragraph 1 of Article 38 of the Law on Trade Marks (*Prekių ženklų įstatymas*) of 2000 establishes the right of a trade mark proprietor to prevent all third persons not having his consent from using, in the course of trade, any sign: “which is identical with or confusingly similar to the registered mark in relation to goods and/or services which are not similar to those for which the mark is registered, where the latter has a reputation in the Republic of Lithuania and where use of that sign without due cause takes unfair advantage of or is detrimental to, the distinctive character or the repute of the mark [emphasis added].”⁴¹⁸

Although, this provision would seem to implement Article 5 (2) of the Directive 89/104/EEC, an additional requirement for the application of trade mark proprietors’ rights was introduced in Article 38 (3):

“The following cases shall be deemed to constitute an infringement of the distinctive character of a sign, indicated in subparagraph 3 of paragraph 1 of this Article:

1) the sign is used as the name of a firm and this use is misleading the public due to the similarity of the sign to a registered mark and of the goods and/or services for which the mark is registered;

⁴¹⁷ Law on Trade Marks (*Prekių ženklų įstatymas*). *Valstybės žinios*, 2000, No 92-2844. The new law came into force on 1st January 2001.

⁴¹⁸ It must be noted that the requirement of the junior mark to be identical or confusingly similar to the reputed mark in Article 38 (1) (3) was amended as from 1st June 2013 and now provides that the junior mark must be identical or similar.

2) the reproduction or presentation of the sign in advertisements or in the media gives the impression that it constitutes the generic name of certain goods and /or services.”

Linguistic analysis of the above quoted provision reveals some substantial novelties introduced in the law.

Firstly, proprietors of reputed trade marks were conferred a right to oppose the use of a similar sign for non-similar goods or services, however the junior sign was required to be identical or confusingly similar to the reputed mark which was clearly not in compliance with the Directive and was only corrected as from 1 June 2013.

It also is interesting to note that Article 38 (3) established only two types of use of reputed trade marks that could potentially be harmful for distinctive character of a trade mark, thereby maintaining the legal wording of Article 20 (4) of Law on Trade and Service Marks of 1993. The above discussion on the history of the Law on Trade and Service Marks of 1993 revealed that the meaning of the latter provision was not clarified in preparatory work or subsequent case law, therefore, it was not clear whether other types of use of identical or similar signs could had been avoided by invoking Article 20 (4) of the previous law or whether a more general protection set in Article 20 (1) should had been used in such cases. Article 38, on the other hand, left no space for a wide interpretation, by providing that only cases listed in the provision can be considered an infringement to the distinctive character. As a result, an identical or confusingly similar sign still had to be used in a specific way prescribed by law in order for the proprietor of a reputed trade mark to exercise his

rights in protecting its distinctive character. This was probably also not compliant with the Directive.⁴¹⁹

On 8 November 2002, Article 38 (3) establishing rights of trade mark proprietors was amended by enhancing the protection granted for reputed trade marks.⁴²⁰ The amendment broadened the list of potential unauthorised use of confusingly similar or identical signs in situations not mentioned in the law. The amendment merely included two words “be to” (in English “also”) in Article 38 (3), however in this way bringing the provision on protection of trade mark proprietors more in line with Directive. The amended versions therefore, provided the following:

“the following cases shall also be deemed to constitute an infringement of the distinctive character of a sign, indicated in subparagraph 3 of paragraph 1 of this Article.”

It must be noted that the new Article 38 (3) which came into force after the amendment of 8 November 2002, is currently in force and has not been amended.

⁴¹⁹ Article 5 (2) of the Directive 89/104/EEC clearly provided that: “any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.” This provision clearly indicated that any use of a sign could be considered an infringement of reputed trade mark, provided other conditions set forth in the Article are met. Since the provision states that Member States may provide additional protection for reputed trade marks, however does not oblige them to do so, it could be also argued that narrower scope of rights (in this case limitation of protection only against particular types of use) could be in compliance with the Directive as well.

⁴²⁰ Law on amendment of Articles No 1, 18, 26, 32, 34, 38, 43, 44, 46 of the Law on Trade Marks, No IX-1150 of 22 October 2002. *Valstybės žinios*, 2002, No 106-4744.

No documents proposing an alternative regulation or a different wording of the Article can be found either.

It is interesting to note that while Article 38 was in force, only a few cases were heard before the national courts. In one of a very few illustrative cases, the plaintiff, manufacturer of a widely known Lithuanian mineral water “RASA”, applied to the court requesting termination of the use of a mark “RASA” used for the manufacturing of matches. The plaintiff argued that use of the identical mark is detrimental to the distinctive character of its mark and reputation. The submission to court also requested a declaration that the plaintiff’s trade mark is well-known.⁴²¹ The Vilnius district court dismissed the claim and concluded that the well-known status should not be granted and that the claim related to infringement of distinctive character and reputation of the mark under Article 38 was not established.

The Court of Appeal confirmed the reasoning of the court of first instance and dismissed the request to terminate use of the mark on the basis of protection of reputation stating that:

“teismas turėjo pagrindą išvadai, jog apeliantas iš tiesų nepateikė įrodymų, kurie patvirtintų, kad jo prekės ženklas turi tokią reputaciją (apklausų kokybės klausimu, sertifikatų, apdovanojimų prekei, straipsnių ar panašiai), tokį stiprų skiriamąjį požymį, kuris neabejotinai išskirtų apelianto produkciją iš kitų gamintojų produkcijos ir duotų pagrindą suteikti jam Prekių ženklų įstatymo 9 straipsnio 5 dalyje numatytas itin plačias teises. Tuo tarpu apelianto nurodytos asociacijos, kylančios lyginant ieškovo bei atsakovo gaminamus gaminius, negali būti pagrindu spręsti dėl neigiamos įtakos jo naudojamam ženklui. Be to, vieno vartotojo

⁴²¹ The Law on Trade Marks of 2000 establishes the same procedure for the court to declare a mark to be well-known (Article 9 (3)). For the explanation see supra 412. Court of Appeal. *Decision of 22 November 2005 in case No 2A-368/2005.*

pretenzija nėra pakankama priežastis spręsti esant PŽĮ 38 straipsnio pirmosios dalies 3 punkte numatytus pažeidimus (CPK 185, 178 str.).“

As it is seen, the court partially ignored the argument of infringement of reputation. Although the plaintiff did argue from the very beginning that use of an identical mark is detrimental to the reputation of “RASA” mark, the court only ruled on application of well-known trade mark protection and concluded in one sentence that distinctive character and reputation could not be, even potentially, harmed. Even more surprising is the conclusion that a well-known mark’s reputation is not determined by popularity but by the quality of the production labelled with the mark.

Similar application of Article 38 (1) (3) was established by the Court of Appeal in *Kemi* case, the court confirmed that in order to apply the provision the two signs must be confusingly similar.⁴²²

6.4.1.1 Right to oppose registration

Article 46 of the Law on Trade Marks establishes the grounds for declaring a trade mark registration invalid. The provision states that:

“upon request by any interested person, the registration of a mark may be invalidated by the court on the ground that the said mark does not comply with Articles 6 and (or) 7 of this Law.”

⁴²² Court of Appeal. *Decision of 30 November 2009 in case No 2A-722/2009.*

In a decision dealing with potential infringement of reputed mark „LNK“ by the use of a similar mark as a domain, the Vilnius district court did not confirm the requirement for both marks to be confusingly similar, however, in the analysis of the case confirmed that the domain name could confuse consumers as to the origin of its holder. See, Vilnius district court. *Decision of 13 May 2013 in case No 2-1410-567/2013.*

Article 18 provides that any interested person shall have the right to submit, at the Board of Appeal, an opposition against the registration of a trade mark within 3 months of its publication on grounds established in Article 6 and Article 7.⁴²³ Article 7 was amended on 19 February 2004 to include European Union trade marks as possible grounds of oppositions.⁴²⁴

Initially, the wording of Article 18 stated that proprietors of national reputed trade marks do not have the right to oppose registration of later marks or request declaration of invalidity of trade mark registrations on the grounds of a potential infringement of the trade mark's reputation or distinctive character. However, Article 18 was amended on 1 June 2013 and now includes a right of proprietors of national reputed marks to oppose later applications.

Opposition proceedings before the Board of Appeals of the Bureau are governed by the Rules on Investigation of Appeals and Oppositions (*Apeliaciju ir protestu nagrinėjimo taisyklės*) approved by the director of the Bureau.⁴²⁵ Point 35 of the rules requires submitting an opposition in a format approved by the Bureau. The

⁴²³ Law on Trade marks (*Prekių ženklų įstatymas*). *Valstybės žinios*, 2000, No 92-2844

⁴²⁴ Law on the Amendment of Articles 2, 5, 7, 8, 11, 12, 30, 38, 40, 43, 45, 46, 49, 50 of the Law on Trade Marks of 19 February 2004, No IX-2033. *Valstybės žinios*, 2004, Nr. 39-1272.

It must be noted that Article 7 (2) (7) introduced the right of European Union trade mark proprietors to request an invalidation of the mark and oppose registration based on the grounds of reputed marks. However, until 1 June 2013 this provision was not in line with the Regulation because it required the reputed mark and later sign to be confusingly similar. The provision was amended to be in line with Article 8 (5) of the Regulation.

⁴²⁵ Rules on the Investigation of Appeals and Oppositions, No 3R-132 (*Apeliaciju ir protestu nagrinėjimo taisyklės*). *Valstybės žinios*, 2005, Nr. 151-5587.

standard appeal form indicates that a specific legal provision of the Law on Trade Marks must be indicated as a ground for the opposition.⁴²⁶

Research of the practices of the Board of Appeal of the Bureau reveals that since the Law on Trade Marks came into force all oppositions invoking the reputation of earlier marks were based on a right for European Union trade mark proprietors to oppose the registration of a later mark on the grounds of a possible reputation infringement, thus proving that practical application and interpretation of the discussed legal provisions did not expand the scope of legal rights provided for the proprietors of national trade marks.⁴²⁷ A right to oppose registration based on national reputed mark came into force only on 1 June 2013. It has not been applied in practice enough to allow making conclusions and evaluations.

As was mentioned previously, the case law on reputed trade marks is very limited. At the time of this research, the Supreme Court of Lithuania has provided very limited guidance on the right to base a claim of invalidity on an infringement of reputation of a national mark.⁴²⁸ Several other cases were concluded by the agreement on the parties at Vilnius district court thus avoiding full argumentation

⁴²⁶ Although the form does not require particular provisions of the Law on Trade Marks to be quoted, it is mandatory to mention the legal basis. In practice, the Board of Appeals rejects appeals which are not based on specific provisions of Law on Trade Marks. The appeal form is available at: <http://www.vpb.lt/index.php?n=186&l=lt>.

⁴²⁷ It is important to note that as from the 1 June 2013, the new amendment to the Law on Trade Marks was adopted which allows opposition on the ground of infringement of national reputed mark. See, the Law on Amendment of Articles 2, 5, 7, 8, 9, 11, 12, 13, 15, 16, 19, 23, 25, 26, 27, 32, 34, 36, 38, 43, 44, 46, 47, 49 of the Law on Trade Marks XI-2396 of 8 November 2012. *Valstybės žinios*, 2012-11-22, No 135-6870.

⁴²⁸ E.g. Supreme Court of Lithuania. *Decision of 17 November 2009 in case No 3K-3-507/2009* and Court of Appeal. *Decision of 26 May 2009 in case No 2A-378/2009*.

by the court.⁴²⁹ A few cases involved arguments related to the question without basing the claim on reputation as a primary instrument of protection.

In the one case dealing with this matter, a claim was brought by Rolex SA demanding a declaration of invalidity of the registration of a Lithuanian trade mark ROLEX (registered for various goods related to smoking in class 34).⁴³⁰ Among other arguments, ROLEX argued that an unfair intention of taking advantage should be presumed where the trade mark has a reputation and the later mark is similar to the reputed mark, provided that the proprietor of the later mark has no right to use the mark. The plaintiff submitted a public survey which allegedly proved the popularity of the mark. Despite the arguments, the court of first instance and the Court of Appeal ruled that due to its luxury image the ROLEX brand is not well-known to the public therefore the protection granted for well-known marks (protection against non-similar goods) cannot be invoked by the plaintiff (it is noted that the plaintiff did not request the court to declare the mark well-known).

In its submission for cassation ROLEX invoked an argument related to one of the deficiencies of the new legal regulation described in the research. ROLEX argued that at the time of the proceedings only reputed European Union trade marks could be used to attack registrations of later national marks for dissimilar goods. It was argued by the plaintiff that since such right is foreseen by the Directive, national

⁴²⁹ E.g. Vilnius district court had a case brought by Red Bull GmbH against national juice and energy drinks manufactures using the sign „Red Bear Energy Drink“ based on several European Union and national trade marks. The case was partly based on confusing similarity and unfair competition, however, one of the strongest arguments from Red Bull was the infringement of reputation. The case is interesting because Red Bull has submitted public surveys particularly analysing the link and association and not confusion. Red Bull also invoked a lot of international practices of national courts and Office in similar cases won on a reputation ground. The court pronounced judgment on interlocutory measures (Case No 2-2399-431/2010, Court of Appeal), however, the main dispute was settled by the parties.

⁴³⁰ Court of Appeal. *Decision of 26 May 2009 in case No 2A-378/2009.*

provisions illustrate a failure by Lithuania to properly implement EU law, and thus ROLEX has a right to base its claim on the allegedly unimplemented provision of the Directive. ROLEX claimed that since reputation for the mark was proved to exist by the survey which it had submitted, no public confusion regarding the marks or origin of goods must be established. Following this submission, proving the knowledge within a particular group of the public is sufficient to prove reputation and it was proved by the survey. It was argued that the Court of Appeal unjustly dismissed the public survey as evidence since it proves that consumers establish a link between the two trademarks and this implies a possibility for the defendant to use the reputation of the plaintiff's mark.

The Supreme Court of Lithuania in a surprisingly short ruling concluded that knowledge of the mark together with other factors of the case must be evaluated when deciding on unfair intentions, protection of well-known mark or reputed mark.

The court found that the requirement of knowledge within the public is different for determining different aspects of trade mark law (well-known marks, reputed marks, unfair intentions).

Concluding on the case, it is obvious that the Supreme Court of Lithuania intentionally avoided the argument of possible incomplete implementation of EU law.⁴³¹ The Court seems to have confused the notions of reputed and well-known marks. This is probably why the court provided no arguments on the description of the requirement of public knowledge and other important questions raised by ROLEX in the submission for cassation. However, the most disturbing conclusion is the fact that the court seems to imply that reputation can only be invoked and thereby the principle of speciality (protection for similar and identical goods) can

⁴³¹ Lithuanian Supreme Court. *Decision of 17 November 2009 in case No 3K-3-507/2009.*

One must note that former Article 5 (2) of the Directive 89/104/EEC was optional and this could have been a reason for the Supreme Court to avoid the argument of plaintiffs.

only be superseded if protection based on reputation is invoked, in conjunction with other grounds of invalidity of trade mark registration.

6.4.2 Protection for European Union trade marks

6.4.2.1 The right to oppose registrations

Article 7 of the Law on Trade Marks of 2000 established grounds for declaring a trade mark registration invalid. The provision did not establish a right for a trade mark proprietor to request declaration of invalidity of a trade mark registration based on the infringement of the trade mark's reputation.⁴³² However, plans of the Lithuanian government for the accession to the EU required further compliance with protection granted to the European Union trade mark owners.

Preparatory work on the new Law on Trade Marks clearly reveals that the incorporation of European Union trade mark system into national laws created some problems not only for the Lithuanian legislator but it was also found to be a disputed issue by all candidate Member States as well as the European Commission.⁴³³ On

⁴³² It must be noted that Article 7 of the Law on Trade Marks is linguistically imprecise. The heading of the Article established that the Article concerns „other grounds for declaring trade mark registration invalid“. However, Article 7 can be invoked as a ground for declaring a trade mark registration invalid on the basis of Article 46 and as a ground for opposing registration on the basis of Article 18.

⁴³³ The explanatory note on a proposal for the Law on Trade Marks stated that implementation of Article 4 (2) (a) (i), (b) and Article 4(3) of the Directive possesses some difficulties, because after Lithuania's accession to the EU trade marks could be considered as having a priority against national trade marks, meaning that national registrations could be opposed or revoked on a ground of infringement of European Union trade marks registered at an earlier date. The explanatory note concluded that the European Commission had not yet provided its opinion on the issue and that other countries are facing similar problems. It was found that at the time of the explanatory note, Latvian and Estonian proposals for the new laws on trade marks did not incorporate provisions on European Union trade marks either. For this reason,

19 February 2004, the Law on Amendment of the Law on Trade Marks was passed which did not provide any clarification regarding implementation of Article 165 of the Regulation. This provision states that an EU trade mark registered or applied for pursuant to the Regulation before the date of accession of new members of the EU shall be extended to the territory of those Member States in order to have equal effect throughout the EU.

As a result, Article 165 of the Regulation became the only applicable provision regarding the transitional period.⁴³⁴

the proposal suggested not including provisions on European Union trade marks in the Law on Trade of 2000.

Explanatory note on proposal on Law on Trade Marks No P-2800 of 31 July 2000 [interactive. Checked on 10 October 2013]. Available at: <www.lrs.lt/>.

⁴³⁴ Article 165 of the Regulation established:

“1. As from the date of accession of Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia and Slovakia (hereinafter referred to as ‘new Member State(s)’), a European Union trade mark registered or applied for pursuant to this Regulation before the respective dates of accession shall be extended to the territory of those Member States in order to have equal effect throughout the European Union

2. The Registration of a European Union trade mark which is under application at the date of accession may not be refused on the bases of any of the absolute grounds for refusal listed in Article 7 (3), if these grounds became applicable merely because of the accession of a new Member State.

3. Where an application for the registration of a European Union trade mark has been filed during the six months prior to the date of accession, notice of opposition may be given pursuant to Article 41 where an earlier trade mark or another earlier right within the meaning of Article 8 was acquired in a new Member State prior to accession, provided that it was acquired in good faith and that the filing date or, where applicable, the priority date or the date of acquisition in the new Member State of the earlier trade mark or other earlier right precedes the filing date or, where applicable, the priority date of the European Union trade mark applied for.”

The new amendment to the Law on Trade Marks also introduced a new ground for declaring the registration of a trade mark invalid.⁴³⁵ Subparagraph 7 of Article 7 (1) was included which provides that a trade mark registration shall be declared invalid if a trade mark is:

“identical with, or confusingly similar to, an earlier European Union trade mark and is to be, or has been, registered for goods and (or) services which are not similar to those for which the earlier European Union trade mark is registered, where the earlier European Union trade mark has a reputation in the European Union and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier European Union trade mark.”⁴³⁶

The above quoted provision came into force from the day that Lithuania officially became a member of the European Union (namely May 1, 2004). In 2012 the provision was amended to establish that similarity between the marks was sufficient thereby removing the condition of confusing similarity between the two signs and bringing the provision in line with the EU law.

The new provision was applied in practice by the Bureau for the first time on 31 August 2005.⁴³⁷ Analysis of the practice reveals that the number of oppositions based on Article 7 (1) (7) continues to increase. The main issues on which the Board of Appeals of the Bureau provided its position throughout the years can be divided in four main groups: 1.) application of Article 7 (1) (7) in time; 2.) requirements

⁴³⁵ Law on Amendment of Law on Trade Marks of 19th February 2004, No IX-2033. *Valstybės žinios*, 2004, No 39-1272.

⁴³⁶ For the full text of Article 7 of the Law on Trade Marks, please see supra 422.

⁴³⁷ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 31 August 2005 in opposition No 2AP-799*.

establishing identity or similarity between the reputed and a later national mark; 3.) requirements for goods and services for which the two marks are registered; 4.) requirements for establishing the reputation of a European Union mark; 5.) requirements for establishing possible infringements of reputation. Practice will be discussed in the order presented above because each subsequent element necessary for the application of the opposition ground was found by the Board of Appeals of the Bureau to only be applicable after the antecedent element was found to be meeting the requirements established by law.

6.4.2.1.1 Time limits for the application of Article 7 (1) (7)

As mentioned previously, the amendment of the Law on Trade Marks came into force on the day of the accession to the EU, however the right to contest the validity of national trade mark registrations received prior to the accession date was not clarified by the legislator. In the second half of 2005, the Board of Appeals of the Bureau ruled for the first time on the application of Article 7 (1) (7). In the very first decision *Moulin Rouge S.A. (France)* contested the registration of a trade mark **MOULIN ROUGE** registered under the name of confectionary and food manufacture “Vilniaus pergalė” on February 26, 2003. The opposition was based on three European Union trade marks registered prior to the registration date of the national mark. Article 7 (1) (7) was invoked as one of the grounds for declaring the registration of the national mark invalid together with the absolute ground of invalidity based on fraudulent intentions. The opposition was satisfied by the Board of Appeals of the Bureau on the absolute ground of invalidity however the opposition was dismissed on a ground of Article 7 (1) (7). It ruled that the legislation regulating the validity at the time of the application for the registration of a mark is applicable.⁴³⁸ Therefore, the legislation applicable on the date of application, must be held to establish grounds for declaring the registration invalid. The provision of

⁴³⁸ This was explained in: Supreme Court of Lithuania. *Decision of 15 April 2002 in case No 3K-3-569/2002.*

Article 7 (1) (7) granting additional protection for reputed European Union trade mark proprietors came into force on the date of accession to the EU (1 May 2004). As was discussed in the previous chapters, the law applicable before 1 May 2004 did not provide European Union trade mark proprietors with any opportunities to contest the validity of registrations of national trade marks, including any opportunities to base their request on the ground of alleged infringement of reputation. As a result, at the time of application for the contested trade mark at 26 February 2003, the European Union trade mark proprietor Moulin Rouge S.A. did not possess a right to contest the registration of the national trade mark and thus was found by the Board of Appeals of the Bureau not to be able to invoke reputation as a ground for declaring a registration of the national mark invalid.

In the second case which dealt with the validity of the legal regulation in time, the famous condom producer DUREX tried to invoke, among other grounds, infringement of reputation against registration of a trade mark DUREX (registered for drawing paper) which was validated in Lithuanian on the basis of an international extension of the Madrid Treaty system on 31 October 2003.⁴³⁹ The Board of Appeals of the Bureau invoked the same case law of the Supreme Court of Lithuania as in the decision discussed above and concluded that validity of international trade mark registration must be evaluated according to the law which was valid at the time the protection in Lithuanian was granted i.e. 31 October 2003.

The above – discussed decisions reveal that European Union trade mark proprietors were not entitled to request the Board of Appeals of the Bureau to declare registrations of national trade marks invalid if these registrations were received before 1 May 2004. Although such approach of Lithuanian authorities is in compliance with Article 165 of the Regulation, the situation for trade mark

⁴³⁹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 7 November 2006 in opposition No 2Ap-903.*

proprietors did not avoid confusion. The most unfortunate situation was faced by the European Union trade mark proprietors in cases where national trade mark applications were filed just before the accession date and during the opposition period a right to oppose registration on the ground of European Union trade mark was already in force. Subsequent case law of national courts has confirmed that European Union trade mark proprietors do not have a right to request invalidity of registrations of national trade marks applied for before 1 May 2004. As a result, in such cases European Union trade mark proprietors can only request termination of use of the national mark which is allegedly infringing the reputation of a European Union mark.

6.4.2.1.2 Requirements for establishing identity or similarity between the reputed and later national mark

A second condition, following the position of the Bureau, to invoke a European Union trade mark as a ground for declaring registration of a later national trade mark invalid is the identity or similarity of the two marks. It must be noted that until 1 June 2013, the Law on Trade Marks was clearly not in compliance with the Regulation as it required identity or confusing similarity between the two signs.⁴⁴⁰

The first decision taken by the Board of Appeals of the Bureau on the question of similarity for the purpose of applying Article 7 (1) (7) was not published until March 2009. In spite of an increased case law and guidelines from the Court of Justice of the European Union on the issue of a “link” and confusion by association, the Board of Appeals of the Bureau seemed to have taken quite an interesting position regarding this issue. In the decision announced in the dispute between INDUSTRIA DE DISEÑO TEXTIL, S.A. (Spain) and EZARA (Lithuania) on a declaration of

⁴⁴⁰ See the discussion under chapters 6.2.-6.4

invalidity of a national trade mark EZARA the Board of Appeals of the Bureau proclaimed that:

“Apeliacinis skyrius nustatė, kad protestuojamas ženklas nėra klaidinančiai panašus į suinteresuoto asmens ankstesnius Bendrijos ženklus „ZARA“ todėl kitos šiame protesto pagrinde nurodytos aplinkybės neanalizuotinos ir protestas šiuo pagrindu (*Article 7(1)(7), added by author*) yra laikytinas nepagrįstu.”⁴⁴¹

In the abovementioned decision, the Board of Appeals of the Bureau first analysed the alleged confusing similarity. When no confusing similarity was established, the Board of Appeals of the Bureau found no need to discuss the circumstances presented by the opponent evidencing the reputation of the European Union trade mark or its possible infringement. In its decision of 1 April 2010, on a dispute between the same Spanish company INDUSTRIA DE DISEÑO TEXTIL, S.A and the Lithuanian company “Zaraistis” on the validity of registration of a national trade mark coinciding with the name of the Lithuanian company, the Board of Appeals of the Bureau supported the conclusion quoted above and dismissed the opposition on a ground of Article 7 (1) (7).⁴⁴² The position of the Board of Appeals of the Bureau did not change and at the end of 2010, two other oppositions regarding possible infringements of reputed marks were submitted before the Bureau and both were dismissed using the argumentation discussed above.⁴⁴³ On November 2011,

⁴⁴¹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 6 November 2008 in opposition No 2Ap-1085.*

⁴⁴² Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 1 April 2010 in opposition No 2Ap-1244.*

⁴⁴³ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 12 August 2010 in opposition No 2Ap-1283 and Board of Appeal of the State Patent Bureau of Lithuania. Decision of 12 August 2010 in opposition No 2Ap-1284.*

another decision refusing application of Article 7 (1) (7) was published. Using the traditional pattern, opposition based on Article 7 (1) (7) was refused due to the fact that no confusing similarity of the marks as required by Article 7 (1) (2) (confusing similarity of the marks) was found.⁴⁴⁴ As a result of requiring confusing similarity, the Board of Appeals of the Bureau does not engage in the discussion on the link thereby completely neglecting this element of the relevant provisions.⁴⁴⁵ It is regretful that the Bureau did not apply the Regulation directly and continued its application of an incorrect implementation of EU law. After the amendment of Article 7 (1) (7) the Board of Appeals continues to conclude that lack of confusing similarity between the marks precludes further possible application of the provision.⁴⁴⁶ The criterion of a link is not subject to the debate in the opposition proceedings.

⁴⁴⁴ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 28 November 2011 in opposition No 2Ap-1409.*

⁴⁴⁵ Nevertheless, it must be pointed out that the position of the Board of Appeals regarding this issue has not been completely consistent. For example, in the RADO decision which will be outlined below, the Board of Appeals of the Bureau, when satisfying the opposition request, quoted the Intel ruling of the CJEU and concluded that the contested and earlier community marks were established to possess a high level of similarity which creates a link between the two marks. However, it is important to note that the Board of Appeals of the Bureau has previously concluded in the same decision that the two marks were confusingly similar when applying article 7 (1) (2). Therefore, the decision was not based on the existence of a mere link between the marks – rather a link was confirmed to be established in case where confusing similarity was already established. Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 20 April 2010 in opposition No 2Ap-1253.*

⁴⁴⁶ See, e.g. Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 27 April 2017 in opposition No 2Ap-1830 and Decision of 9 May 2017 No 2Ap-1831.*

6.4.2.1.3 Goods and services for which the European Union and later national mark are registered

It must be remembered that the CJEU had established, as early as in 2000, in *Davidoff* that Articles 4 (4) (a) and 5 (2) of the Directive 89/104/EEC cannot be given an interpretation which would lead to marks with a reputation having less protection where a sign is used for identical or similar goods or services, than where a sign is used for non-similar goods or services. The main principle and purpose established by the CJEU was clear – reputed trade mark must enjoy equal protection as regards trade marks registered for similar and non – similar goods and services.

In spite of the European case law, the Board of Appeals of the Bureau on 19 June 2007 ruled that reputed trade marks cannot be invoked in opposition proceedings against trade marks registered for identical or similar goods.⁴⁴⁷ In the present decision, the two marks were found to be confusingly similar, however, due to the similarity of the goods for which the two marks were protected, opposition was dismissed on the ground of Article 7 (1) (7).

This position of the Board of Appeals of the Bureau was again expressed in opposition proceedings brought by NOKIA CORPORATION arguing validity of international trade mark application for the trade mark NOKINAL.⁴⁴⁸ Again, the conclusion on the admissibility of the opposition was as based on the fact that goods and services of both trade marks were similar to each other.

⁴⁴⁷ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 19 June 2007 in opposition No 2Ap-964.*

⁴⁴⁸ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 21 December 2007 in Opposition No 2Ap-1017.*

However, the position of the Board of Appeals of the Bureau changed in 2010, when on 20 April, it decided the opposition proceedings initiated by RADO UHREN AG (Switzerland) against national trade mark RADO.LT on infringement of various national trade marks and the European Union trade mark RADO.⁴⁴⁹ For the first time, the Board of Appeals of the Bureau found that all the conditions required by Article 7 (1) (7) were satisfied and declared the registration of the trade mark invalid on several grounds, among which was an infringement of reputation. The Board of Appeals of the Bureau found that the trade marks were confusingly similar and goods for which they were registered (classes 35 and 14 respectively) were not similar as argued by RADO UHREN AG., however, this was not found to be an obstacle for the application of Article 7 (1) (7). The Board of Appeals of the Bureau quoted *Davidoff* decision and concluded that:

“Europos Teisingumo Teismas yra pažymėjęs, kad „reputaciją turinčių Bendrijos prekių ženklų apsauga negali būti mažesnė tuo atveju, kai žymuo naudojamas tapačioms ar panašioms prekėms ar paslaugoms, palyginti su atveju, kai žymuo naudojamas nepanašioms prekėms ar paslaugoms“ (2003 metų sausio 9 sprendimas byloje C-292/00 Davidoff & Cie SA, Zino Davidoff SA v Gofkid Ltd). Tokiu būdu teismas pripažino, kad ženklams, turintiems reputaciją, suteikiama platesnė apsauga. Todėl ta aplinkybė, kad protestuojamas ženklas registruotas paslaugoms, kurios nėra panašios į suinteresuoto asmens ženklų žymimas prekes, konstatavus ankstesnio Bendrijos ženklo reputacijos buvimą, nebūtų reikšminga.”

It can be concluded that the Board of Appeals of the Bureau changed its position regarding similarity of goods and services. This change of the position is undoubtedly plausible; however, it is regretful that the Board of Appeals of the

⁴⁴⁹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 20 April 2010 in opposition No 2Ap-1253*.

Bureau did not change the position in compliance with the case law of the CJEU earlier.⁴⁵⁰

The latest practice of the Board of Appeals of the Bureau suggests that protection of reputed trade marks for similar goods will continue to be accepted in opposition procedures.⁴⁵¹

6.4.2.1.4 Requirements for establishing reputation

The fourth element required for the successful application of Article 7 (1) (7) is the establishment of reputation of an earlier European Union trade mark. It is important to remember that the Board of Appeals of the Bureau was not granted a right to declare a registration of a national trade mark invalid on a ground of infringement of rights of earlier national reputed trade marks until 1 June 2013. As a result, the concept of “reputation” as well as the way in which this concept is applied are almost exclusively taken from the CJEU and the Office case law.

In the very first decision dealing with the establishment of reputation, Bacardi and Company Limited opposed registration of a national mark VIP Martini Club. In

⁴⁵⁰ Even more regretful is the fact that the Board of Appeals of the Bureau had a very good opportunity to give reasons for the change of the position after the decision of 6 October 2009 in case C-301/07 *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH* which for the first time approved applicability of *Davidoff* rule on protection against similar goods and/ or services for Article 9 (2) (c) of the Regulation.

⁴⁵¹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 22 July 2010 in opposition No 2Ap-1274*.

In opposition proceedings initiated by Pfizer Inc., Pfizer Products Inc. against trade mark “VIGRADE” allegedly infringing the European Union trade mark “VIAGRA”, the Board of Appeals of the Bureau concluded that analysis of identity/similarity of goods as a compulsory condition for the application (of the provision) became irrelevant. Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 28 November 2011 in opposition No 2Ap-1409*.

proving the existence of reputation, the Board of Appeals of the Bureau was presented extracts from menus, international websites evidencing the international championship Bacardi-Martini Grand Prix and MARTINI cocktail party in Lithuania.⁴⁵² The Board of Appeals of the Bureau firstly based its evaluation of evidence on CJEU ruling in the *Antartica Srl* case and concluded that market share, intensity of use, geographic area of use and length of use of the mark must be evaluated. Following the European case law, it was concluded that reputation must be established in a significant part of the consuming public related to goods marketed under the mark in question. However, although the Board of Appeals of the Bureau concluded that the evidence submitted by the proprietor of the European Union mark proved that the mark is used to label goods marketed in Lithuania, it cannot be deemed sufficient to establish unquestionable reputation. The evidence submitted was found to be insufficient to provide information on the intensity of use, geographic area of use and length of use of the mark. For this reason, no reputation of the earlier mark was found to be established.

In another case, the Board of Appeals of the Bureau again repeated rules set by the *Antartica Srl*. case and established requirements to prove knowledge of the mark for a particular market share of the mark. In this case, HITACHI MAXELL LTD based its opposition against the mark MAXICELL on a ground of European Union trade marks MAXELL.⁴⁵³ The opposing party submitted evidence of income from goods marketed under the mark in Japan, USA and Europe, facts that the company supports various events and that the trade mark MAXELL is registered or is applied for registration in over 140 countries around the world. The Board of Appeals of

⁴⁵² Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 2 October 2007 in opposition No 2Ap-987.*

⁴⁵³ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of November 2007 in Opposition No 2Ap-1000.*

the Bureau again found that documents submitted in the proceedings only evidenced use of the mark, however did not show the market share of the mark within the European Union and thus its reputation.

In the abovementioned NOKIA CORPORATION opposition against the trade mark NOKINAL, evidence of various trade mark registrations was found to be insufficient to establish reputation as well.

In an opposition procedure initiated by Bennet Footwear Group, LLC for protection of VIA SPIGA trade mark against nationally registered mark SPIGA BUTIQUE, the Board of Appeals of the Bureau added some additional factors to those discussed in previous decisions to be taken into consideration when ruling of the existence of reputation.⁴⁵⁴ Following the *General Motors* case, frequency of use and investment in advertisement of the mark was mentioned by the Board of Appeals of the Bureau as factors requiring consideration. Again, it is not clear why the *General Motors* case was not taken into consideration in previous decisions when interested parties raised arguments relating to the investment in popularity of the mark (e.g. in VIP Martini Club decision). Without speculating on the possible reasons for the lack of clear strategy in following the case law of the CJEU, it is clear that it is not invoked consistently and does not always correspond to evidence submitted by parties. In the present case, the Board of Appeals of the Bureau concluded that an interested party submitted evidence regarding use of the mark, a large number of registrations as well as expenses for advertising, however there was no proof of reputation because submitted evidence did not allow to draw conclusions on knowledge level of the mark in a particular group of society in the EU.

An interesting decision from the establishing reputation point of view was taken by the Board of Appeals of the Bureau in the above-mentioned opposition initiated by

⁴⁵⁴ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 17 December 2009 in opposition No 2Ap-1212.*

RADO UHREN AG. In these proceedings, the opponent also submitted evidence on the length of use of the mark, the number of countries in which it is registered, advertising expenses, proof that the company is active in supporting tennis championships, and documents proving that the mark has been awarded the best mark design. Interestingly, all the evidence listed in the case had been presented in earlier opposition proceedings as well. Even more importantly, a combination of similar types of evidence has been presented in previous opposition proceedings. In previous decisions, the Board of Appeals of the Bureau did not rule on the inadmissibility of these types of evidence; but it concluded that the overall reputation of marks could not be determined. However, in the present case, without again providing arguments for a change of position, the Board of Appeals of the Bureau confirmed the existence of reputation and found the following:

“Apeliacinis skyrius mano, kad suinteresuotas asmuo pagrindė ilgalaikį bei teritoriniu aspektu paplitusį ženklo naudojimą, išskirtinę komercinę vertę, dideles finansines investicijas reklamai ir pan. Populiarios sporto šakos - teniso turnyrų rėmimas, taip pat ta aplinkybė, kad teniso turnyrai yra ypač populiarūs ir juos stebi plati žiūrovų auditorija įvairiose šalyse, visa tai įgalina daryti išvadą, kad yra sukurtas ir egzistuoja didelis žinomumo laipsnis atitinkamos visuomenės, kuriai skirtos RADO ženklų pažymėtos prekės.”

In a case brought by BOEING MANAGEMENT COMPANY, the Board of Appeals of the Bureau again acknowledged the importance of expenses for advertising and found that lack of evidence thereof, as well as lack of supporting information on use and geographic spread of use, precluded the establishment of reputation.⁴⁵⁵ Similarly, in SOCIETE JAS HENNESSY & Co proceedings against

⁴⁵⁵ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 4 May 2010 in opposition No 2Ap-1258.*

national trade mark ENESSY, the Board of Appeals of the Bureau concluded that no evidence on the level of knowledge of the mark among the public, on expenses for advertising or on circumstances providing details on use and geographical prevalence of the mark was submitted by the interested person.⁴⁵⁶

An opposition brought by Olympus Corporation is the one from a few examples so far on the position of the Board of Appeals of the Bureau regarding public surveys as a means of proving the existence of reputation.⁴⁵⁷ Although it not clear from the decision what information was submitted to the Board of Appeals of the Bureau, it was found that a public survey showing that the OLYMPUS trade mark was known in Lithuania by 12, 7 percent of the respondents was not sufficient to prove reputation. The question of the survey regarding additional information related to the mark (“Knowledge of the mark with supporting information”) was considered to be inadmissible because information provided to respondents during the survey was not clear. As a result, the methodology of the survey was found to be unreliable. The European Union trade mark was found not to possess reputation because expenses for advertising, as well as supporting information on use and geographic spread of use were not submitted before the Board of Appeals of the Bureau.

In the case brought by the MICROSOFT CORPORATION based on an infringement of the trade mark MICROSOFT, the Board of Appeals of the Bureau ruled that the following evidence was sufficient to establish reputation: establishment date of the company, amount of departments around the world, the fact that the company is known as the largest producer of software (it is important

⁴⁵⁶ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 27 September 2011 in opposition No 2Ap-1390.*

⁴⁵⁷ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 4 May 2010 in opposition No 2Ap-1259.*

to note that the decision does not reveal whether any evidence supporting this conclusion was submitted and if so, what type of evidence), involvement in various programs (again no explanation provided), income from the production, number of trade mark registrations and the evidence that the trade mark is one of the third most valuable trade marks in the world.⁴⁵⁸

Analysis of the decisions of the Board of Appeals of the Bureau related to the establishment of reputation reveals that the Board of Appeals of the Bureau takes evidence of reputation extremely seriously. However, as illustrated above, practice reveals that the Board of Appeals of the Bureau grants various types of evidence different importance on a case by case basis thereby revealing a lack of consistency and predictability within opposition procedures.

6.4.2.1.5 Requirements for establishing a possible infringement of reputation or distinctive character, or unfair advantage

Probably the most sporadic practice of the Board of Appeals of the Bureau is related to the requirements of establishing infringement of reputation or distinctive character of a mark or taking unfair advantage thereof. The lack of a thorough position on this matter can be explained by two main reasons. Firstly, possible infringement of reputation or distinctive character of the mark is the last element in a sequence of requirements provided by Article 7 (1) (7). This implies that only in cases where all the previously analysed elements for application of the provision were satisfied, the Board of Appeals of the Bureau had a chance to discuss the issue of a possible infringement. Secondly, it seems that the absence of clear guidelines from the CJEU could have precluded the Board from pronouncing a clear and consistent position on the issue; however, this can only be supposed. As was discussed previously, it took a long time for the Board of Appeals of the Bureau to

⁴⁵⁸ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 2 December 2010 in opposition No 2Ap-1303*.

accept the case law of the CJEU regarding the protection of reputed marks against similar goods and services. It can be assumed that the absence of clear unambiguous guidelines on this issue could have affected the willingness to take a strict approach in cases where potential infringement of reputed marks was argued.

There are only a few decisions which reject or accept alleged infringement of reputed marks. However, surprisingly all the decisions pay little attention to this difficult issue and never more than one or two paragraphs are devoted for this question. In fact, the Board of Appeals of the Bureau in most of cases rejected alleged infringement due to insufficient evidence on a “real risk “of unfair advantage or detriment to repute or distinctive character.”⁴⁵⁹

In several decisions, such limited conclusion on the possible infringement was limited to “a risk”, rather than “a real risk” as seen above.⁴⁶⁰

Later decisions of the Board of Appeals of the Bureau which were delivered after the *Intel* decision are the first decisions in which the possible infringement was established and a short reasoning was delivered. In the afore-mentioned RADO decision, the Board of Appeals of the Bureau concluded that a link between the two marks is a pre-condition for taking an unfair advantage or infringing the distinctive character of the earlier European Union mark or the risk to its reputation.

The Board of Appeals of the Bureau used a reference to the *Intel* decision and concluded that in the present case “a sufficiently high level of similarity between the marks” was established because the earlier mark (RADO) is fully repeated in the later mark (RADO.LT). It was concluded that “.LT” does not have any

⁴⁵⁹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 19 June 2007 in opposition No 2Ap-963.*

⁴⁶⁰ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 2 October 2007 in opposition No 2Ap-987.*

distinctive character, however it is common in website addresses, therefore, a consumer “can assume that there is a link between the two marks, the later mark RADO.LT can be understood by consumers as a representative of the trade mark owner in Lithuania, by these means unfairly using RADO trade mark’s reputation.”

In the above mentioned decision which also gave reference to the *Intel* ruling, Microsoft Corporation opposed registration of a national trade mark MacrosoftAutos (applied for class 35: advertising) on the basis of MICROSOFT (registered for goods in class 9) trade mark.⁴⁶¹ In the present decision it was also concluded that infringement could occur where consumers establish a link discussed in *Intel*. The link was concluded to be possible because firstly, the marks were found to be similar, secondly, the production of the user of the senior mark is very widely used and thirdly, MICROSOFT also manufactures software for vehicles (which is important due to the meaning of the opposed mark). Therefore, the Board of Appeals of the Bureau concluded that there is a risk of commercial use of the reputation of the European Union trade mark or infringement of the distinctive character or reputation of the mark.

The reasoning in the decisions reveals that possible infringements of European Union trade marks are established mainly due to the high similarity between the marks (as it was seen in the RADO decision). Furthermore, although the *Intel* judgement is referred to, the Board of Appeals of the Bureau does not seem to differentiate between the four separate infringements of reputed marks. In fact, the wording of decisions reveals that all four types of infringements are always mentioned together and a declaration of invalidity is based on the establishment of harm or the risk of harm to reputed marks without naming a particular type of infringement. Even more surprisingly, the Board of Appeals of the Bureau uses

⁴⁶¹ Board of Appeal of the State Patent Bureau of Lithuania. *Decision of 2 December 2010 in opposition No 2Ap-1303*.

phrases like “the use of reputation” (Lithuanian “*pasinaudoti reputacija*”) which are mentioned neither in the Law on Trade Marks, nor in translations of the Directive and Regulation. The Board of Appeals of the Bureau does not use the guidelines of the *Intel* ruling on change of economic behaviour of consumers in cases where detriment is established, or invoke the *L’Oreal/Bellure* judgement in its decisions for supporting findings of unfair advantage. Lastly, it can be concluded that in most cases high similarity between the marks and a wide knowledge of the earlier mark can be sufficient for the application of Article 7 (1) (7) of the Law on Trade Marks. Such position can be on the one hand praised for clarity and avoidance of unclear criteria such as the “change of economic behaviour”. On the other hand, it is not entirely in line with the case law of the CJEU.

The above provided analysis reveals that the Bureau started developing its position regarding oppositions based on an infringement of reputation of the European Union trade marks only in the recent years. The Board of Appeals of the Bureau developed a rather strict position regarding the application of Article 7 (1) (7) and requires all the elements set in the provision to be proven in a subsequent order. The Board of Appeals of the Bureau maintains the position that oppositions can only be initiated against national trade marks’ applications received after 1 May 2004. Regretfully, the practise shows that confusing similarity of European Union trade mark and the opposed trade mark is required for a successful application of Article 7 (1) (7). Regarding the goods and services for which the European Union trade mark and the opposed mark are registered, it must be noted that only the latest decisions finally brought the position of the Board of Appeals of the Bureau in line with practises of Office and the CJEU and provided protection against dissimilar goods and services. However, it has not been explained why the change in the course of argumentation took place and no hints of this transformation could be identified. The position of the Board of Appeals of the Bureau regarding the establishment of reputation of the European Union mark can be ascribed to lack

consistency and reasoning. Various pieces of evidence (such as public surveys, companies' income, trade mark value, advertising costs etc.) have brought different outcomes without deeper reasoning and detailed evaluation of the material being presented. Lastly, it must be noted that decisions regarding the last element of Article 7 (1) (7) – establishment of infringement of reputed mark are very rare because the Board of Appeals of the Bureau only presents its findings on this matter after all previously discussed elements are proven to exist. It can be speculated that the Board of Appeals of the Bureau will find an infringement of reputation in cases where the European Union and the opposed national mark are already found to be confusingly similar. Additionally, it can be seen that the Board of Appeals of the Bureau does not differentiate between different types of infringements of reputed marks and does not invoke the newest concepts such as “change of economic behaviour” in its practices.

In general, it must be concluded that the application of Article 7 (1) (7) lacks thorough reasoning and comprehensive analysis of the positions of Office and the CJEU. In most cases, this opposition ground is dealt with very shortly without providing a proper evaluation of parties' evidence and applicable legal provisions.

6.4.3 The right to request termination of use

One must note that neither Article 38 nor any other provisions discuss the rights of proprietors of the European Union trade mark owners. Therefore, enforcement of such rights is regulated exclusively by the Regulation that has direct effect in Lithuania.

The data base of Lithuanian courts' jurisprudence shows that European Union trade mark proprietors very rarely invoked their right to request termination of use of later signs. In one of a few existing examples, Industria de Diseno Textil S.A applied to Vilnius district court requesting to terminate the use of a national trade mark Žara (registered for class 32) on a ground of the infringement of the European Union

trade marks ZARA (registered, among others, for 32 class).⁴⁶² The plaintiff based its claim on confusing similarity and infringement of reputation. Interestingly, the court took the position which was for a long time supported by the Board of Appeals of the Bureau and rejected the claim because defendant's trade mark Žara was not confusingly similar to plaintiff's trade mark ZARA.

It must be concluded that the trade mark proprietor has invoked infringement of reputation only as a subsidiary ground to request termination of use of similar signs. Especially scarce case law of the field proves that, as in cases where Article 38 (3) is applied, the courts do not provide an in-depth analysis of the requirements necessary for the application of Article 9 (2) (c) of the Regulation. It must be noted that courts do not provide adequate analysis of different notions established in the Regulation, TRIPS Agreement, the Law on Trade Marks and the Law on Competition. For this reason, protection against infringement of European Union trade mark reputation or distinctive character usually is applied as a subsidiary ground of the trade mark protection and the reasoning of the courts regarding the issue is incomprehensive and sporadic.

6.5 Conclusions - possible reasons for the underuse of the protection

Although, as was mentioned earlier, the number of appeals to the Bureau continues to raise, the amount of litigation based on the protection of reputed marks has not increased proportionally. To understand one of the possible reasons for this, it is important to analyse the legal provisions which are invoked by trade mark proprietors as alternatives for the trade mark protection.

Article 15 (1) of the Law on Competition states that:

⁴⁶² Vilnius district court. *Decision of 27 May 2010 in case No 2-1779-560/2010.*

“Undertakings shall be prohibited from performing any acts contrary to honest business practices if such acts may be detrimental to the competitive potential of another undertaking, including:

unauthorised use of a mark identical or similar to the name, registered trade mark or unregistered well-known trade mark or any other reference having a distinguishing feature of another undertaking, if this causes or is likely to cause confusion with that undertaking or its activity, or where it is sought to take unfair advantage of the reputation of that undertaking (its mark or reference) or where this may be detrimental to the reputation (mark or reference) of that undertaking, or where it may reduce the distinguishing feature of the mark or reference used by that undertaking.”⁴⁶³

As it can be seen, the wording of Article 15 (1) establishes basically an identical prohibition to the one secured by the Law on Trade Marks and the Regulation. Requirements for prohibiting the use of the sign are worded very similarly: use of a sign or reference belonging to another undertaking may be detrimental to reputation or reduce the distinguishing feature (which is most likely identical to distinguishing character) or would be used to take unfair advantage of the reputation of the mark or reference.

Article 15 (1) is probably the most invoked ground of unfair competition. In most cases, plaintiffs apply to the courts requesting the termination of use of signs and trade marks which are similar to their competitors’ signs or company names. Of course, to apply the competition law provision at least two additional requirements which are not established in the trade mark law must be satisfied. Firstly, a plaintiff and a defendant must be competitors. However, it does not imply that goods and services must be similar or in competition. Secondly, the use of the sign must be

⁴⁶³ The Law on Competition of 23 March 1999 (*Konkurencijos įstatymas*), No VII-1099. *Valstybės žinios*, 1999, No 30-856.

“unfair” meaning that the competitor wilfully seeks to take unfair advantage of the reputation. Although the provision is not clear as to whether actions detrimental to reputation or distinctive features must be intentional, the requirement for an undertaking to perform acts contrary to honest business practices most likely implies the existence of will and knowledge. Case law on unfair competition reveals the relationship between the Law on Trade Marks and the Law on Competition. Already in 2005, the Court of Appeal concluded that:

“Ieškovo atsiliepime į apeliacinį skundą teisingai pastebėta, jog jokiam teisės akte nėra imperatyvaus nurodymo, kad sąžiningos konkurencijos laisvė gali būti ginama tik tais atvejais, jei asmuo nesąžiningai naudojasi reputacija žymens, kuris įregistruotas prekių ženklu. Joks teisės aktas nenumato ir privalomos žymens, skirto prekių ženklinimui, registracijos prekių ženklu.”⁴⁶⁴

Although in itself Article 15 (1) is a very useful provision which provides for a wide array of grounds for the protection of rights, it is interesting to note that plaintiffs do not try to invoke subsidiary ground of requesting termination of use of similar or identical signs by referring to Article 38 of the Law on Trade Marks. Surprisingly such position of litigants is continuously confirmed even in cases where factual situations would not require any additional evidence to rely on the trade mark law provisions.⁴⁶⁵

For example, in the decision handed down by the Court of Appeal, the plaintiff SOCIETE BIC, a manufacturer of pens and the proprietor of a three dimensional

⁴⁶⁴ Court of Appeal. *Decision of 21 November 2005 in case No 2A-372/2005.*

⁴⁶⁵ This is continuously confirmed in the case law of national courts. See e.g. Court of Appeal. *Decision of 17 November 2014 in case No 2A-1221/2014.* However, it must be noted that in the recent years a tendency to rely on both legal provisions is emerging. For example, Vilnius district court. *Decision of 5 October 2015 in case 2-86-232/15.*

European Union trade mark BIC, applied to the court requesting that the retail chain operator Palink terminates sales of pens marked by an identical word trade mark and having a corresponding retail image.⁴⁶⁶ The plaintiff argued that due to a long use, the mark has acquired “good reputation” among consumers and use by the defendant aims at “unfairly taking advantage of the reputation of the plaintiff’s production and trade mark”. Interestingly the plaintiff not only invoked the reputation of the mark as evidence to justify application of Article 15 (1) but also provided the results of a public survey evidencing a very high knowledge of the registered trade mark and confusion of the public between the two products (70 per cent of respondents replied that in their opinion both products were of the same origin). However, trade mark law provisions were not invoked by the plaintiff.

The above mentioned is not an exception to a large number of cases where a registered mark is invoked as a ground to prove alleged unfair competition. In several cases, potentially well-known and reputed marks were used by competitors, and proprietors provided public survey results to prove popularity of the marks.⁴⁶⁷ In a very few cases, plaintiffs provided courts with evidence of advertising costs and marketing investments, which traditionally are instruments used for evidencing knowledge in trade mark law. However, in none of these cases trade mark law was invoked as an additional ground for legal actions.

Although, the concept of “reputation” in competition law is not revealed in preparatory work of the legislation, cases involving Article 15 (1) indirectly seem to suggest that “reputation” in this context is related to quality and not merely knowledge of the mark among the public. This conclusion can be supported by the arguments of the parties and reasoning of the courts. For example, in the SOCIETE BIC case discussed above, the plaintiff argued that its mark is used to mark products

⁴⁶⁶ Court of Appeal. *Decision of 15 March 2011 in case No 2A-90/2011.*

⁴⁶⁷ Vilnius district court. *Decision of 14 February 2008 in case No 2-156-54/08.*

of a “high quality” (although in the next sentence, the plaintiff argues that “due to a long use the mark has gained reputation”) and later in the case, the plaintiff argued that “the court approves the good reputation of the mark”. However, this is just one of the numerous examples where plaintiffs allege infringement of “good reputation”, “high reputation”, “reputation of high quality products” etc. For example, in one of these numerous cases the Court of Appeal concluded that “the plaintiff has failed to submit evidence that the trade marks of which it is a proprietor maintains higher or exclusive reputation in comparison with trade marks of the defendant.”⁴⁶⁸ However, the recent practice of the Court of Appeal which requires to evaluate reputation of the mark exclusively on the basis of the case law and criteria established for the application of Article 38 (1) (3) of the Law on Trade marks raises further questions as regards the relationship of the two provisions.⁴⁶⁹

Cases related to well-known marks also reveal that trade mark proprietors usually do not try to use the argument of reputed trade marks as a subsidiary instrument of protection.

For example, the toothpaste manufacturer Beecham Group p.l.c., requested a declaration of invalidity of the registration of a later mark Aquarelle, registered for identical goods, based on the trademark AQUAFRESH, and to prohibit use of the mark for commercial purposes. In addition, the plaintiff asked the court to declare the trade mark well-known. The plaintiff provided public survey results and other evidence regarding knowledge of the mark.⁴⁷⁰ It was argued that the compared trade marks were confusingly similar – this argument was supported by the survey results showing that part of the public does associate package of Aquafresh with package of Aquarelle. The plaintiff clearly tried to argue that the submitted results prove a

⁴⁶⁸ Court of Appeal. *Decision of 24 February 2009 in case No 2A-270/2009.*

⁴⁶⁹ Court of Appeal. *Decision of 17 February 2016 in case No 2A-265-823/2017.*

⁴⁷⁰ Supreme Court of Lithuania. *Decision of 15 December 2003 in case No 3K-3-1103/2003.*

link between the two trade marks. Interestingly, the plaintiff did not find it useful to base its claim on the provisions securing rights of reputed trade mark proprietors. In the *FORTAS* ruling handed by the Supreme Court of Lithuania, the plaintiff, an owner of a well-known restaurant chain FORTAS, argued that trade marks of the beer manufacturer FORTAS infringed the copyrights and the trade marks of the plaintiff. Leaving copyright issues aside, this case is an excellent example of a failure to invoke a reputation of a mark in situations where no other trade mark law aspect can be useful due to non-similarity of goods and services. In the *FORTAS* case, although the marks of the plaintiff and of the defendant were registered for different classes of goods, the plaintiff asked the court to declare registration of the contested marks invalid using confusing similarity and fraudulent intentions as grounds for invalidity. Obviously courts of all instances concluded that a ground of confusing similarity can only be invoked where identical or similar marks are registered for similar or identical goods and rejected the request on this ground. Any fraudulent intentions of the defendant were found not to be established.⁴⁷¹

Analysis of the Law on Trade Marks and the case law allows making several conclusions. Firstly, the Law on Trade Marks of 2000 does not provide any definitions of the terms used in it. The Lithuanian term “*reputacija*” (equivalent to the English term “reputation”) was used neither in the official translation of the Directive, nor in the Regulation which instead employed a term “*prekių ženklas, turintis gerą vardą*” (an English equivalent – „trade mark with a good name”). The Law on Trade and Service Marks of 1993 did not mention either of the terms.

⁴⁷¹ It is important to note that the case law on the issue of unfair intentions corresponds to the position of the Board of Appeals of the Bureau and considers that this ground for declaring a trade mark registration invalid is a *ultima ratio* measure, that must be invoked not as a substitution for other grounds prescribed by the Law on trade marks, but as an independent ground where sufficient evidence of unfair intentions can be provided. E.g. Supreme Court of Lithuania. *Decision of 3 December 2001 in case No 3K-3-1340/2001*.

However, the Law on Trade Marks of 2000 introduced a new term “trade marks having reputation” without defining it or indicating the reasons for its use of a different term.

Secondly, Article 38 (1) (3) of the Law on Trade Marks of 2000 implemented optional Article 5 (2) of the Directive 89/104/EEC by introducing additional rights for proprietors of national reputed trademarks. The new law introduced additional types of infringements that could be invoked by trade mark proprietors – taking unfair advantage and use or detriment to reputation or distinctive character of the trade mark. However, the new provision, after the amendment of 8 November 2002, maintained an illustrative list of uses that could constitute damage to distinctive character. Neither the preparatory work nor other related documents reveal the reasons for such an illustrative list. The compatibility of examples of uses potentially damaging distinctive character with the protection provided in the Directive could be questioned as they can theoretically be construed as prioritising listed activities over other uses of trade marks and providing primary infringement grounds.⁴⁷²

The Law on Trade Marks adopted in 2000 and the preparatory work related to it reveal that the main aim of the new law was to implement international treaties and the EU law into a national legal system. In particular, attention was paid to the TRIPS Agreement, the Directive and the Regulation. However, the legislative history suggests that implementation of international instruments lacked thorough analysis of implemented laws. As a result, several main deficiencies of the law and

⁴⁷² The position that only these two types of uses are capable of infringing distinctive character was confirmed by the Supreme Court of Lithuania. Supreme Court of Lithuania. *Decision of 28 February 2014 in case No 3K-3-58/2014 (S)*.

its application are specifically important for the present research and can be identified.

The law reveals that proprietors of national trade marks possessing reputation did not have a right to initiate opposition procedures against later marks or to attack registrations in judicial proceedings until 1 June 2013. However, the new Law on Trade Marks of 2000 explicitly granted a right for owners of national reputed trade marks to demand termination of use of any confusingly similar or identical sign irrespectively of classes for which that sign is used, if the use of the later mark takes unfair advantage or is detrimental to the reputation of distinctive character of the reputed mark. The requirement for the later sign to be identical or confusingly similar was clearly not in compliance with the Directive and was amended as from 1 June 2013.

Owners of well-known marks retain a right set in the Law on Trade and Service Marks of 1993 to initiate opposition proceeding against similar or identical marks irrespectively of classes for which the mark is applied for as well as to apply to the court for declaring a registration invalid.

The case law of the Lithuanian courts reveals that parties and judges sometimes are not fully aware of the issue of the establishment of reputation. The Supreme Court of Lithuania so far has provided very limited guidelines on this particular issue. Cases dealing with the protection of European Union trade marks in the Court of Appeal and Vilnius district court reveal that courts still sometimes follow the unchanged practices of the Board of Appeals of the Bureau and require the opposed mark and the European Union mark to be registered for dissimilar goods and to be confusingly similar. Even more surprisingly, some rulings show that the courts interpret the notion of “reputation” as meaning not knowledge of the mark among the public but the quality of goods or services. As a result, proof of quality (such as certificates and awards) is required to establish reputation. Further, it must be noted, that parties to court proceedings mainly invoke the reputation of trade marks as

protected by the Law on Competition and fail to invoke the additional ground of trade mark infringement even if all evidence of the case allows that. Lastly, it can be concluded that the protection of reputation is still usually confused with the protection awarded to well-known trade marks and knowledge among the public is first of all regarded by courts to be important in disputes concerning well-known marks.⁴⁷³

After the Law on Trade Marks came into force on 2001, litigation in intellectual property matters and especially in the trade mark field has increased substantially and these numbers continue to rise. However, almost all these cases concern likelihood of confusion. Regretfully, it must be noted that all aspects of trade mark law relevant for the present research and conclusions provided above cannot be fully considered as setting any strict judicial precedents. The main reason for this is the lack of case law on dilution or unfair advantage. It must be noted that since accession to the EU, there have been only a few cases heard before the Supreme Court of Lithuania dealing with the issue of the reputed European Union marks, several other cases have been heard in lower courts. Number of cases involving requests to terminate the use of a later mark based on reputed national marks have increased in recent years, however an assertive case law on the issue is still missing. Most of the decisions of the Board of Appeals of the Bureau discussed in the chapter did not reach the judicial phase either and did not provide a chance to form judicial precedents.

⁴⁷³ The doctrinal analysis of the possible infringements of reputed and well-known marks also are mixed in the case law. For example, in case No 3K-3-209/2006, the Supreme Court of Lithuania quoted commentators and attributed an infringement of dilution and free riding as applicable to well-known marks. Supreme Court of Lithuania. *Decision of 27 March 2006 in case No 3K-3-209/2006.*

There are several possible reasons for such absence of judicial practices. Firstly, the official database of the Lithuanian courts which was discussed in the previous part of this research clearly proves that the amount of litigation invoking trade mark rights has increased substantially only in recent years, since 2009. Naturally, most of the cases on trade mark infringements and appeals on decisions of the Board of Appeals of the Bureau are based on confusing similarity. This tendency is also obvious in a number of oppositions filed before the Board of Appeals of the Bureau.

Secondly, it must be noted that lawyers are not completely aware of a wide protection granted for reputed trade marks. Even if this ground is invoked, it is almost always used as a subsidiary protection after confusing similarity, unfair intentions or, in most cases, unfair competition grounds.

Lastly, it must be noted that notions of “reputed trade mark” and “well-known trade mark” are not clarified by case law. This lack of clarification, possibly in connection to other reasons provided above, influence sometimes poor argumentation and reasoning by the parties and the courts.

7 Chapter VI – Findings of the research

7.1 Findings on the scope and rationale of the protection

The aim of this thesis was to analyse the purpose and rationale of the EU provisions on reputed marks and to evaluate whether these provisions are applied effectively. The research looked first at the international framework of protecting trade marks beyond the principles of specialty and territoriality and their possible application for the EU law provisions. Secondly, the research analysed the practice of the Office and the CJEU/GC in order to review how Articles 9 (2) (c) and 8 (5) of the Regulation and corresponding Article 5 (3) (a) and Article 10 (2) (c) of the Directive are interpreted and applied in practice. Thirdly, the thesis reviewed the legal framework for the implementation of these provisions at national level in the UK,

Germany and Lithuania. This conclusion will provide a brief overview of the results of each part of the research and based on these will formulate proposals for a more effective protection of reputed marks within the EU.

The first part of the research revealed that the history of theory on reputed marks must be seen in the context of wider changes within the traditional trade mark law. As industrial conditions of trade changed it became necessary to depart from the two main principles of trade marks law – territoriality and specialty in certain cases. The adoption of the protection of well-known marks in 1925 implemented an exception to the principle of territoriality by acknowledging that trade marks known within a country by a significant part of a relevant population can be protected even without formal registration. Although the protection of well-known marks did meet the newly arisen need of trade mark proprietors to be able to protect their mark and its goodwill in jurisdictions in which the mark was already known without its proprietor's use of the mark, the new protection was still primarily aimed at the consumer protection. Therefore, the first exception to the general principles still did not meet the needs of the new business' generation. A trade mark has become not only a way of indicating origin as it used to be since the Roman times, it has also developed into an asset by itself which requires additional protection even when use of a similar sign on the market does not lead to consumer confusion.

In the EU, this need was addressed by introducing the protection of reputed marks which extended the scope of trade mark protection beyond the principle of specialty by granting the right to protect the mark against dilution and taking unfair advantage.

The exact scope of such protection, and the particular rationale for this proved to be much more problematic to pin down. In spite of the lack of uniform agreement among scholars on the exact rationale for the departure from the principle of specialty, the necessity to safeguard trade marks' advertising function, reducing consumers' search costs, enabling brand expansion, reducing enforcement costs,

securing the exclusivity aura from the consumers point of view were among the most popular arguments justifying the expanded protection.

Agreeing on the scope of the new protection was a challenging exercise for the Member States of the EU. The need for compromise among the Member States' different traditions were especially visible in the contrast between the Benelux countries and the protection developed by the case law on the unfair competition provisions and tort law in Germany on one hand and the UK which traditionally expressed a restrictive position as regards expansion of trade mark functions on the other hand. As a compromise the wording of the Directive allowed protection outside the scope of specialty however particular types of harm were listed in the provision, furthermore this provision remained optional for the Member States. Also quite unconventionally provisions of the Directive foresaw a protection against taking unfair advantage of repute or distinctive character which in most countries and in most legal theory does not form a part of dilution theory and may have appeared in the Directive as a result of unsuccessful debates on the unfair competition law directive.

Lack of clear historic reasons and economic justification for choosing a particular wording for the provisions on reputed marks and their close resemblance to unfair competition law makes it very difficult to evaluate how effective these provisions operate in practice (i.e. whether they can successfully be relied on in cases such protection was envisaged to be applicable). The second part of this research nevertheless sought to evaluate case law and the practice of the Office and the CJEU/GC in order to see how the provisions on reputed marks were interpreted and how often and under which conditions oppositions before the Office based on reputed European Union marks were successful.

7.2 Findings on practises of the EU institutions

Analysis of the Office and GC practices in opposition proceedings, their appeals and the CJEU decisions in preliminary ruling cases allowed several conclusions.

Firstly, it was revealed that the CJEU developed an interpretation of reputation in *General Motors*, *Adidas Salomon*, *Pago* and other cases, this interpretation was rather liberal and at first glance seemed to expand the protection of the respective provisions to marks that are only known within the particular consumer groups (niche fame). However, practical application before the Office showed that this standard is not that easily complied with. In cases where the goods or services could be treated as potentially aimed at both niche consumers and the public at large, the Office tends to interpret the goods or services as falling within the latter rather than the former group. By following such interpretation, opponents are faced with a much more difficult task – they have to prove sufficient knowledge within the public at large. The threshold regarding territorial coverage of the mark and sufficiency of use among the particular territory of the EU has also been set rather high. Furthermore, the Office has not been easy to satisfy in terms of the reputation of the mark either. It has expressed a very strict position regarding the admissibility of survey evidence and the way questions are presented to the respondents. As a result, a rather generous interpretation of the CJEU allowing reputation to be accepted for the niche market and for marks used only in part of the EU territory has been constrained in practice.

The interpretation of the requirement of a link between the two marks has been one of the most controversial elements of the EU provisions on reputed marks. The CJEU introduced this concept in the context of reputed marks without however explaining what level of similarity between the two signs should be considered sufficient. Furthermore, the court left the question open as to which factors of the case must be taken into consideration when determining the link and what means of evidence should be invoked for arguing existence of it. Although in *Intel* the CJEU did clarify the applicability of the global appreciation test to the evaluation of the presence of a link, the recent *Ferrero* decision requires a separation of analysis of similarity of marks, and a factor of link, which makes it both

theoretically and practically difficult to comprehend. Perhaps due to a lot of uncertainties regarding the issue of link, an analysis of this element of the provisions has taken an interesting turn by focusing on goods and services for which both signs are used. Many scholars, judges and even Advocate General J. Jacobs were not entirely convinced that allowing protection of reputed marks for similar goods and services was necessary. Nevertheless, the CJEU made its position very clear in the *Davidoff v. Gofkid* case and expressly allowed the protection of reputed marks against similar goods or services, in contradiction with the former wording of the relevant provisions. Although this interpretation was not fully supported by many, its practical application has produced rather unexpected results. Together with the requirement for establishing detriment and taking unfair advantage developed by the CJEU, similarity of goods or services became a factor in practice allowing expanded protection for reputed marks rather than precluding it.

Prior to the cases of *Intel*, *L'Oreal* and *Interflora* such position of the Office and GC could also be justified by the lack of clarity in the meaning of the last elements of the provisions – establishing detriment and taking unfair advantage, as they remained for a long time underdeveloped and under used factors in cases. As a result, the requirement of an overlap between consumer circles of the junior and the senior mark could have been understood as providing safeguards against an overly broad protection as overlap of consumer circles could surely provide protection against injury or serious risk of it. After the recent case law of the CJEU which shed more light on the applicability of the risk of an injury, similarity of goods or services, however, remained one of the most important factors for establishing a link between the marks.

After the *Intel* case the element of detriment to distinctive character received a lot of attention. At least two aspects of the CJEU ruling deserve a mention. Firstly, the court admitted that the likelihood of confusion and the level of similarity between the goods and services must also be taken into consideration in determining possible

injury.⁴⁷⁴ Secondly, the court introduced a completely new requirement of proof of damage to the distinctive character – change of economic behaviour of consumers. The latter requirement remains unclear and has been interpreted in multiple ways. However, in spite of differences between the positions, one aspect of this requirement is agreed upon – there must be some sort of connection between the two consumer circles in order for such change to occur, or for there to be a risk of this occurring.

Quite understandably such a vague requirement led the Office to seek to clarify its practice and this resulted in a position which is more favourable for trade mark proprietors. In most cases the Office requires a change in buying habits in cases which involve similar or identical goods (e.g. the *Red Bull v. Red Dog* case) and interprets it as meaning a simple loss of economic value in cases of dissimilar goods (e.g. *Citi*). In spite of the Office's position as set out in several cases, there remains differences in interpretation of this requirement among scholars and the new requirement is seen to dilute the clarity of application of detriment to distinctive character. After the *WOLF JARDIN* case and the confirmation by the CJEU of the requirement of change in economic behaviour in cases of similar goods and services, it seems that this requirement is not going to be set aside and will have to be considered in proceedings before the Office and national courts, however without a clear meaning or purpose for this. The position of the CJEU requiring to treat change in economic behaviour as an objective rather than subjective criterion is however quite worrying. Taking into consideration that the concept itself refers to economic parameters, such interpretation could mean a loss of willingness to buy or loss of willingness to pay a particular price for a reputed brand. In both instances, it remains completely unclear how such circumstances should be proven. This is

⁴⁷⁴ Court of Justice of European Union. Decision of 27 November 2008 in case-252/07 Intel Corporation Inc. v CPM United Kingdom Ltd., para. 68.

even more so if one understands the ruling of the *WOLF JARDIN* as requiring change in economic behaviour as a prerequisite for an overall evaluation of detriment which in turn can only be induced from using logical deductions only after the prerequisite is confirmed to exist.

The requirement of harm caused by detriment to distinctive character was further complicated by the *Interflora* ruling which required a national court to ascertain whether the average consumer was able to identify the source of advertising (thus confirming confusion) before an analysis of possible occurrence of detriment to distinctive character could be undertaken. As discussed above in relation to the *Intel* and *WOLF JARDIN* decisions, the recent case law will need to be clarified if this type of requirement of harm is to continue to be applied in practice at all. The CJEU is encouraged to milden the interpretation of the new concept and to depart from the focus on the objective evaluation of it before detriment to distinctive character has not become extinct.

Contrary to detriment to distinctive character, the interpretation of the remedy of detriment to repute so far has remained rather consistent. On the EU level, the main practice regarding tarnishment was formed by the Office and the GC while the CJEU has not yet provided a landmark case on the issue. Detriment to repute has been understood and invoked much more coherently. The Office proceedings reveal a strong influence of the German law on unfair advantage which requires the mark to possess a particular image. This requirement has been applied by the Office very strictly and by now it has been established that successful reliance on this type of harm requires proof that the mark possesses a particular image among its consumer group. Mere efforts of the proprietor to present the mark in a particular way is never sufficient (e.g. *FIRAMENT* decision). In most cases a decision as to whether such image has been successfully created by the trade mark's proprietor lies in the hands of the Office, since public surveys are rather rarely invoked for this purpose. It is questionable whether the Office should conclude on the existence of a particular

image, in the majority of cases, without the confirmation of conclusions by surveys or other types of evidence proving the consumers' opinion in tarnishment proceedings, especially as some arguments – such as use of the mark on goods of possibly lower quality or successful transfer of image, are difficult to prove at the stage of registration.

Surprisingly, having regard to the very nature of detriment to repute, this type of infringement is much more often accepted in cases where at least some type of connection between the goods or services is confirmed to exist. Again, such conclusion seems at first to be in contradiction with the explicit wording of the original version of the Regulation. On the other hand, the connection between the goods is inevitable if consumers are to associate the positive image of the senior mark with the junior sign. Only truly famous marks and in most cases reputed marks used for products of general consumption are in practice understood to be transferring image to different goods in a wide sense (which do not share any distribution channels, cannot be perceived as complementary etc.) The issue of applicability of change in economic behaviour to detriment of repute so far has not been the subject of the Office practice and the case law of the CJEU. Taking into consideration the argumentation invoked by the CJEU in dilution by blurring cases, it can be suspected that this requirement will be applied for tarnishment infringements as well. However, as was discussed above it is still unclear what the nature of this requirement is and taking into consideration the confusion it has created so far, its absence is preferred.

The practice of the Office and the GC reveals that the infringement of taking unfair advantage has not been overburdened by the introduction of new concepts and requirements as much as detriment to distinctive character or tarnishment. As in the case of both detriments, the practice of the Office reveals that this type of infringement is much more likely to be established if goods or services marked by the reputed sign are aimed at the public at large or are in some way related to the

goods/services of the junior sign. The reason for such a requirement is the need for the image of the senior mark to be able to be transferred to the goods of the junior mark. Trade marks which enjoyed a very high reputation are easier defended.

Following the case law and the Office practices, considerations of whether an advantage will be taken are confined to a few lines, effectively setting out three key factors in establishing unfair advantage – level of reputation, similarity of goods and their consumer circles, and intention to take such advantage.

In spite of less problematic approach by the CJEU in cases of unfair advantage, one of the most doubting aspects of unfair advantage remains the lack of applicability of the trade marks functions doctrine. After the ruling of the CJEU in *L’Oreal/Bellure* it became clear that there is no need to show harm to the trade mark in order for the mark to suffer from unfair advantage. Such approach clearly is hardly compatible with the traditional EU trade mark law grounded in cases like *Arsenal*. Furthermore, the relevant provisions of the Directive and Regulation can be criticized for their incorrect definition of unfair advantage.

The EU law requires to apply due cause to advantage that is unfairly taken. Such situation itself is not feasible. Although the CJEU could have offered a way out by proposing that either due cause was not applicable to cases of unfairness or that unfairness can only be established after due cause was confirmed, the court has not done this. Instead issues of unfairness and due cause have been mixed and confused. So far, the court has confirmed that any intention to take advantage constitutes unfairness. Furthermore, compliance with comparative advertising rules (as well as possible subjective grounds for use of a sign) falls under due cause, thereby most likely implying that the act is nonetheless considered to be unfair. The issue remains not only difficult to comprehend, it also raises a question of legality of acts under e.g. Misleading and Comparative Advertising Directive from the trade mark law point of view.

The analysis of all three infringement types under the EU reputed mark provisions reveals several conclusions. Firstly, trade mark proprietors are more likely to invoke the protection allowed for reputed marks if goods or services for which the junior sign is used or applied for are similar, share distribution channels, are complementary or if the goods/their proprietors can be understood as related in some other way. True dissimilarity of goods or services in the practice of the Office in most of cases is an obstacle to establishing a link and/or infringement of a reputed mark.

Secondly, as for confirmation of any type of infringement under the EU provisions for the reputed marks some form of consumer circles overlap is required. Most of the marks which were successfully defended against junior users were registered for goods aimed at the public at large. Although the case law of the CJEU did expand protection for reputed marks which possess niche fame, in practice the Office and both of the EU courts try to broaden the consumer circles of a particular case and not allow a narrow interpretation of a target consumer group. Truly niche products enjoy protection in most cases only if the goods or services of the junior mark are similar or are related in some way.

Thirdly, the identification of functions of reputed marks and their relationship with the functions of regular trade marks has become extremely problematic after the *L'Oreal/Bellure* and *Interflora* rulings. With the expanded scope of functions under the protection against confusion under the double identity rule (Article 5(1) (a) Directive) which now encompasses protection of advertising and investment functions and a rather liberal interpretation of the confusion requirement, the general justification of the special protection of reputed marks becomes

questionable, especially in cases where the protection of reputed marks is applicable to similar or identical goods/services.⁴⁷⁵

The need to clarify the relationship between confusion and dilution protection was also noted in the Explanatory Memorandum on the Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks:

“The recognition of additional trade mark functions under Article 5 (1) (a) of the Directive has created legal uncertainty. In particular, the relationship between double identity cases and the extended protection afforded by Article 5 (2) (current 5 (3) (a), *author’s remark*) to trade marks having a reputation has become unclear. In the interest of legal certainty and consistency, it is clarified that in cases of both double identity under Article 5 (1) (a) and similarity under Article 5 (1) (b) it is only the origin function which matters.”⁴⁷⁶

⁴⁷⁵ The need to clearly define trade mark functions and relationship between different protection types has also been spotted in the Study by the Max Planck Institute:

“Issues relating to the purpose and scope of trade mark protection should be addressed in the Preamble. The aim should be to give a full account of the functions performed by trade marks, without thereby blurring the contours of legal provisions determining the ambit of trade mark law.” Point 2.187.

Max Planck Institute for Intellectual Property and Competition Law. *Study on the Overall Functioning of the European Trade Mark System*, [interactive. Checked on 12 January 2014], available at: <http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf>.

⁴⁷⁶ Point 5.1 of the Preamble of Explanatory Memorandum on the Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast), COM/2013/0162 final - 2013/0089 (COD).

Similarly in the study by the Max Planck Institute it was recommended that in cases of “double identity” all other functions except the indication of origin should not autonomously constitute a ground for applying the protection. Point 2.184 of the Max Planck Institute for Intellectual Property and Competition Law. *Study on*

Lastly, it must be pointed out that the CJEU lacks clarity in guiding the Member States and the Office on the interpretation of the provisions of reputed marks. Interpreting the provisions by adding new elements to be proven, which in practice are almost not possible to justify such as change in economic behaviour, should be avoided. Articles 8 (5) and 9 (2) (c) of the Regulation and respective provisions of the Directive should be clear and enable the respective institutions to globally evaluate the circumstances of the case – to apply one of the primary principles of the EU trade mark law. Burdensome notions and over complex wording of the provisions result in a rather technical point by point application of the provisions and precludes the application of the global appreciation test.

7.3 Findings on the national implementation of provisions for reputed marks and related case law

The comparative part of the thesis looked at how the UK, German and Lithuanian trade mark registries and courts in practice apply the provisions of the Directive and the Regulation.

The UK jurisdiction was chosen as it is regarded as the one of the most sceptical towards the extended protection for trade marks. Furthermore, this jurisdiction does not have unfair competition law as it is understood by the continental Member States and this influences the understanding of trade mark functions and the scope of their protection.

The pre-harmonization Trade Mark Act of 1938 did provide an additional protection for well-known marks by way of a defensive registration, however such protection was not used in practice frequently and required at least some form of confusion to

the Overall Functioning of the European Trade Mark System, [interactive. Checked on 12 January 2014], available at: <http://ec.europa.eu/internal_market/indprop/docs/tm/20110308_allensbach-study_en.pdf>.

be present. After the EU law provisions were implemented in the Law on Trade Marks of 1994, two main questions were raised for the UK system. Firstly, does the protection for reputed marks require establishment of confusion and secondly, how does the requirement to apply the global appreciation test affect the protection of reputed marks. The first issue was not solved easily as the UK traditionally was reluctant to accept trade mark functions extending beyond the function of indicating origin. Reluctantly this issue was settled by accepting sufficiency of a link without confusion, however it does not mean that it became easier to obtain protection. As the second issue required the UK institutions to apply the global appreciation test to both confusion and dilution cases and allowed wider interpretation of confusion which was alien to this legal system, the UK interpreted the requirement of a link and its global appreciation by focusing more attention to similarity of goods and services and reputation of the questionable mark, thereby introducing the requirement of confusion through the back door.

As regards the application of detriment to distinctive character, the UK courts and the UK IPO have adopted the *Oasis Stores* list of factors to be taken into consideration before the decision in *Intel*. In this list the similarity of goods, the extent of reputation and distinctiveness of the mark already played a significant role. Mostly, the protection was awarded to marks of a high reputation for similar or related goods. After the *Intel* ruling the question of the meaning of the “change in consumers’ economic behaviour” did not receive a unanimous answer. Some judges require proof of actual change in buying habits, others submission of public surveys on proving potential change by respondents while some acknowledge that mere stipulation of potential change should be sufficient. The latter position is mainly accepted in cases based on truly famous marks and similar goods. Lastly, it must be noted that a lack of clarity regarding the protection against detriment to distinctive character was accelerated further after the *Interflora* decision, in which the UK referring court ruled that the detriment argument must fail if no damage to

the origin function is established thus posing a question of the independence and function of the protection against dilution.

Application of detriment to repute in the UK showed that this type of infringement is almost never relied upon independently but rather in conjunction with detriment to distinctive character or/and unfair advantage. One clear difference from the Office and Luxembourg courts is the lesser attention paid to analysis of successful creation of a particular image of the mark from the consumers' perspective. Following the practice of the UK IPO and the courts the most common cases where tarnishment is invoked were based on goods or services which were in some way related to the goods or services of the reputed mark. For the junior mark to use the image of the senior mark, consumers of both groups of goods were required to overlap. Marks which were found to have suffered from detriment of repute due to use on truly dissimilar goods were used as parodies or as catch up images to promote goods which traditionally are understood as shameful or negative. Although the attention to the establishment of a particular image is less articulated in the UK decisions, the overall result on conditions potentially allowing successful reliance on the defence ground remains similar to the EU practice.

As regards the infringement of unfair advantage, the UK legal system in the post-harmonization period struggled to accept it as a trade mark law instrument. The fairness of the overly broad protection again was counterbalanced by more eagerly accepting the protection in cases of similar or related goods. However, in cases of unfair advantage, the UK jurisdiction reveals that the *L'Oreal/Bellure* requirement to accept possible infringement of the mark without established harm to the trade mark has not been endorsed. Furthermore, the recent *Cristal* decision seems to suggest that prove of change in economic behaviour of consumers will be required for cases falling under the unfair advantage category as well. The UK courts have taken a way to counterbalance this wide interpretation and put an emphasis on the elements of unfairness and due cause in unfair advantage cases. After *Whirlpool v*

Kenwood and Specsavers v Asda it is clear that contrary to the Office and the GC, the criterion of unfairness will not be overlooked and will continue to provide assurances to junior sign users.

Quite contrary to the UK traditions, the pre-harmonization German case law had expanded the protection for famous marks through a wide interpretation of unfair competition laws and tort law. German legal traditions on protecting famous marks set strict conditions and required the mark to be known among the public at large, to be unique and distinctive and to possess high quality. If the mark reached this high threshold the use on the junior mark was considered as either impairing the distinctiveness of the mark (*Verwässerungsschutz*) or taking unfair advantage of it (*Rufausbeutung*).

After the amendment of the Law on Trade Marks of 1894, the EU provisions were implemented by the new Trade Mark Law of 1994.⁴⁷⁷ First of all the new law had to be tested against the parallel application of the case law developed for the protection of famous marks in the fields of unfair competition and tort law. The German courts reached the conclusion that non-trade mark protection could only be invoked if the mark was primarily used outside the trade mark field and reliance on non-trade mark law protection decreased substantially. As regards the establishment of reputation, the application of the new provisions lowered the knowledge threshold requirement in accordance with the requirement of the CJEU, however remained loyal to the requirement of a particular image and quality of the mark as preconditions for this protection. Furthermore, unique marks retained a more favourable position in proceedings.

Quite contrary to the UK colleagues the German judges did not find it problematic to accept the protection of reputed marks under the new law without establishing

⁴⁷⁷ Opposition ground foreseen in former Article 4 (4) (a) of the Directive for national reputed marks came into force only on 1 October 2009.

confusion as this was a common practice prior to harmonization. However, the understanding that an infringement of the trade mark must be evaluated globally without emphasising particular harm and focusing on the overall loss of value remained and most possibly influenced the attitude towards the application of the new provisions. One of the most visible consequences of such approach towards the trade mark law is a global appreciation of the case without any detailed analysis of the particular elements when deciding on the existence of possible dilution or unfair advantage. The application of the link criterion is the best example of this. In the majority of cases the evaluation of the link criterion has been underestimated and evaluated in conjunction with possible harm to the mark. However, similarly to the EU institutions and the UK practice, if the evaluation of the presence of the link has been undertaken, it resulted in a negative outcome if the goods were too dissimilar.

Speaking about particular types of infringements under the new German trade mark law the first point must be devoted to detriment to distinctive character. Although German case law such as the *Odol* case did inspire F. Schechter, the post-harmonization practice reveals that this ground of infringement remains less popular than unfair advantage. Furthermore, its application lacks clarity. Several conclusions that emerge can be summarized as follows. Firstly, some form of harm is required however no strict standards on how to prove this have been established. The German courts do not embrace the concept of change in economic behaviour and if it is analysed at all, it is barely used to reject possible applications of detriment due to, for example, a large gap between consumer circles. Secondly, the protection is granted much easier to marks which are distinctive and enjoy a unique or almost unique place on the market. Thirdly, the fame of the reputed mark and type of goods for which the junior mark is used remain the most important criteria.

Detriment to repute is very rarely invoked before the German competent institutions. Partly, it can be explained by the possibility of relying on unfair competition law in the majority of cases falling under the tarnishment heading.

Either as part of the trade mark law or unfair competition law, detriment to repute can only be established if the positive image of the senior mark can be transferred and benefit the junior sign.

Unfair advantage, on the other hand, has been relied upon by trade mark proprietors a lot and has received considerable judicial attention. German case law first of all reveals that a successful application of unfair advantage requires the mark to possess a particular image which could benefit the junior user. In the majority of cases such transfer of image is only found to exist if goods or services marked by the two signs can be perceived by consumers to be related in some way. Furthermore, the case law shows that contrary to the UK practice, the element of unfairness does not play an important role. Intent and due cause of use are the two factors which are considered by the German courts, the former quite often being inferred from lack of the latter. Lastly, it must be concluded that actual proof of harm is not required for the application of unfair advantage and the *Intel* requirement of change in economic behaviour has been expressly rejected as not applicable to such cases.

Lastly, the research analysed a legal basis and practical application of the protection for reputed marks in Lithuania. This jurisdiction provided an excellent example of a country in which prior to the harmonization no protection for reputed marks existed. An analysis of the Lithuanian Law on Trade and Service Marks of 1993 revealed that a rather unclear separate provision for the protection of distinctive character for all registered marks was foreseen. However, after the case law created a requirement of confusing similarity and similarity of goods for the application of such protection, its distinction from and added value to the protection against confusing similarity remained unclear.

After the new Law on Trade Marks came into force in 2001, the law provided protection for reputed national marks by conferring trade mark proprietors a right to oppose the use of a later sign. However, Article 38 (5) most likely was not in

compliance with the Directive as it indicated only two types of use that could be understood as causing detriment to distinctive character. The provision was later amended to an open listed provision; however, the clear association of this provision with the provision discussed above of the law of 1993, and its lack of purpose renders this provision questionable. The right of national trade marks' proprietors to oppose registration has only become effective as of 1 June 2013, and therefore hardly can be commented on. The application of the right to request termination of use of conflicting marks although has been in force from 2001 has been relied upon before the courts reluctantly and an assertive case law is still absent.

The exercise of the right to oppose registration by the EU trade mark proprietors shows that the Board of Appeal of the Bureau made mistakes in implementing guidelines from the CJEU. One of the most prominent mistakes is the requirement to demonstrate confusion in the opposition proceedings. Similarly, until 2010 the opposition was not allowed if goods and services indicated in the application of the opposed registration were similar. Contrary to the UK and German practice, the establishment of reputation by public surveys before the Lithuanian courts and Bureau does not receive as much attention. Therefore, the knowledge threshold requirement is determined by the criteria set in *Antartica* and *General Motors* case law, implementation of which also clearly lacks consistency. As regards different types of infringements in opposition proceedings, it is clear that a thorough understanding of each type of infringement is absent as all of the four types are often analysed together. Furthermore, it is seen that the only clear requirement for establishing possible infringement in most cases is a strong reputation of the earlier mark. However, that is the only clear conclusion on the evaluation of possible harm and the requirement to prove it that has been developed so far.

Similarly, to the German case law, Lithuanian practice shows that trade mark proprietors are keener to rely on unfair competition law rather than on the protection of reputed marks before the courts in cases requesting termination of use of

conflicting signs. An almost identical provision of the Law on Competition providing the protection against use of a reputed sign by a competitor is one of the most often invoked provision of the unfair competition law. Case law has revealed that this type of protection has been equally frequently invoked in cases of trade mark and non-trade mark use of reputed signs. Several decisions relating to the application of requirements to terminate use based on the protection of reputed marks show that the courts sometimes confuse it with the protection for well-known marks. The notion of reputation is often interpreted as requiring an element of quality or constituting part of the protection for well-known marks. Requirement for applying dilution and unfair advantage have not been subject to judicial scrutiny and remains to be interpreted at the national level.

The comparative research of all three jurisdictions revealed several conclusions. Firstly, the approach towards the protection of reputed marks on a national level depends largely on the legal system in which it is applied. The UK system primarily sees the protection against dilution and unfair advantage as an extension of, or the exception to, the classic theory of confusion which must be applied with caution in order not to misbalance the rights of trade mark proprietors. Such approach results in protection being granted for reputed marks only if it can be understood as a true exception to the confusion provisions. On the contrary, German case law shows that such protection is viewed from the competition law point of view and therefore is granted in cases where a trade mark's power in the market can potentially be lessened. Such approach is much more oriented towards the protection of the mark rather than the consumer as in the case of the UK.

Secondly, it can be stated that reliance on the protection to reputed marks depends on the related fields of law in that jurisdiction. The Lithuanian example clearly shows that a more effective and clearer protection under competition law renders the application of the reputed trade marks provisions almost ineffective. Both trade mark proprietors and the courts are more willing to seek protection under

competition law rather than trade mark law. Although there are several potential reasons for this tendency, one of the most important ones is the lack of clarity and lack of clear guidelines on the application of the EU provisions. A jurisdiction such as Lithuania, which did not have previous experience in protecting marks beyond the principle of specialty, lacks clarity on the exact meaning of protection for reputed marks. As there are no previous national guidelines, the case law results in contradicting decisions and an inconsistent application of the protection for reputed marks.

Previous German case law which established protection for famous marks on the ground of unfair competition and tort law still has an influence on reliance on particular infringement types of the EU provisions. German case law shows that requirements as quality of the goods, uniqueness of the mark on the market, an extremely high knowledge threshold and others have decisive influence in disputes. Furthermore, German case law is mainly formed by cases based on unfair advantage and detriment to distinctive character – the former being more closely related to the competition law than to trade mark law while the latter clearly protecting the selling power of the mark. Similarly, the UK practice revealed that passing off – an instrument of the common law – is not only almost always relied upon in parallel with the trade mark law provisions but is also much less controversial as its purpose and position in relation to the traditional confusion protection is better perceived.

Thirdly, the two previous conclusions also have an effect on how each element of the Directive and Regulation provisions related to reputed marks are interpreted. Although in theory all Member States are equally guided by the CJEU, actual practice reveals a different assessment. For example, UK cases assess presence of reputation on very strict criteria of use in relation to particular goods while the German case law is much more orientated towards public surveys, and the Lithuanian practice of the Bureau reveals that factors such as investment in the mark, advertising and selling volumes play the most important role. Similarly,

German case law bears almost no weight to the link between the opposing marks whereas the UK institutions devote a separate analysis to this.

Furthermore, several years after the *Intel* and *L'Oreal/Bellure* decisions national practices reveal that there are not only discrepancies between national positions as regards the implementation of these decisions, but also different interpretations of the concept of change in economic behaviour and requirements for unfair advantage among different courts at national level. For example, the application of the first requirement resulted in various interpretations starting from requiring actual proof of change in buying habits to survey evidence showing such change in the future in the UK. In Germany, this requirement is seen by the courts as precluding an effective protection against infringement and neglected to a large extent. Similarly, an interpretation of the requirement to satisfy a claim of unfair advantage on the basis of intent and absence of harm to the senior mark, provided in *L'Oreal/Bellure*, was debated and perceived as too wide in the UK, which conditioned to pay more attention to factors of fairness in order to reduce reliance on this type of infringement and a requirement to show damage to at least one of trade mark functions. On the other hand, the German courts almost do not engage in an analysis of possible unfairness at all and focus on due cause and intent as sufficient circumstances to rule on unfair advantage. The Lithuanian example showed that the different types of infringements under national law and the Regulation are not in practice separated and the analysis of conditions for their application is almost non-existent.

Lastly, it can be pointed out that in spite of national differences in applying different elements of the EU provisions on reputed marks, a successful outcome on any type of infringement to the large extent depends on several factors – the fame of the mark, type of goods/ services for which the junior sign is used and the distinctiveness of the mark.

8 Conclusions

The application of the EU provisions for reputed marks by the Office, CJEU, GC allow several overall conclusions on the effectiveness of the protection.

1. The particular choice of wording for the EU provisions remains disputed and needs revisiting. It must be remembered that the exact scope of the protection chosen for Articles 5 (3) (a) and 10 (2) (c) of the Directive and later corresponding provisions of the Regulation remains undefined. As a compromise solution accommodating the requests of Member States of different legal traditions, the provisions of the Directive contain elements of the different international and national legislative acts. Each provision can be successfully applied in practice and its purpose can be interpreted by the national courts only if the underlying principle of the need for a particular provision is clear. As a result, in order to apply the protection for reputed marks effectively a clear underlying reason for such protection is needed. Initiative of the Commission to reform EU trade mark law has not addressed the question of defining the purpose and functions of reputed trade marks, well-known and regular trade marks. In the opinion of the author, as long as legislative instruments fail to address fundamental questions of the exact purpose and functions of each category of trade marks, the CJEU and the Member States will continue to struggle in defining and applying the protection for different categories of trade marks.
2. The interpretation of the CJEU case law is not fully applied in practice and its guidelines do not enjoy uniform application within the Member States. Due to the lack of clearly defined purpose for the EU provisions, an undisputed and acceptable interpretation was difficult to achieve from the very beginning. In the opinion of the author, the difficulties in accepting the CJEU guidelines commenced by interpreting the protection for reputed marks as applicable to similar goods and niche fame. Both of these

requirements did not originate from the literal wording of the provisions and should not have been adopted. Furthermore, later case law of the CJEU seems to have created even more confusion. For a long time, the CJEU did not have an opportunity to express itself on the requirement of proof of infringement. However, after the *Intel*, *L'Oreal/Bellure* and *Interflora* decisions, this part of the criteria of the EU provisions on reputed marks remains more confusing than ever. Firstly, the emphasis on the need to show change in economic behaviour of consumers, if understood as a requirement to prove change in buying habits, as a completely new element to the trade mark law had to be elaborated much further than it was done in *Intel*. As the court repeated its position in the recent *WOLF JARDIN* case it is evident that the Member States will continue to be very cautious in granting protection against detriment to distinctive character. This is understandable as it is probably not possible to establish change in economic behaviour as an objective criterion as requested by the CJEU in cases of dissimilar goods. Furthermore, quite a contradictory ruling in *L'Oreal/Bellure* became a source of critique for allowing protection of reputed marks against unfair advantage in cases where no damage to the mark has been caused. Even more correctly, the decision was disapproved as blurring the difference between the protection against consumer confusion and the protection of reputed marks. Furthermore, the unfortunate definition of taking unfair advantage which was further confused by the CJEU by mixing the concepts of unfairness and due cause gave rise to substantially different applications of this type of protection in the Member States. As a result of this unclear message from the CJEU, the national courts diverged in applying the guidelines, this resulting, in national legal traditions influencing the application of the EU provisions more than substantially. As a result, it can be concluded that neither of the two elements of effectiveness of protection for reputed marks is present in the EU law. The requirements of provisions

remain disputed while their practical applicability is not uniform in the compared jurisdictions and rests to be ambiguous even as applied by the EU institutions.

3. The relationship between confusion and dilution needs to be redefined. From the adoption of the Directive, the EU trade mark law has experienced important developments. One of them was an expanded interpretation of the notions of confusion and similarity of goods – a tendency which is not only observed in the EU but also on a national level. Furthermore, the recent case law of the CJEU, in particular in the *L’Oreal/Bellure* and *Interflora*-decisions raises a question of actual difference of functions of different categories of trade marks. As the two judgments clearly acknowledged the protection of advertising and investment functions for all trade marks, the question of a need for separate protection justified by different functions of various trade marks is left unanswered. For this reason, the author of this research supports the proposition of the Commission to limit the functions of trade marks under Article 5 (1) (a) and 5 (1) (b) of the Directive to indicating origin.
4. Protection should be limited to dissimilar goods. If, according to the recent practice of the CJEU, all trade marks perform the same functions irrespectively of their knowledge threshold and the protection against confusion allows confusion by association and is applied to a group of similar goods in a very wide sense, there is no need for reputed marks to be additionally protected against similar goods. Such conclusion is also supported by the case law of the GC, the Office and the Member States. As was discussed, one of the most important factors in determining success on reliance on a defence for reputed marks, is a conclusion on similarity of goods thereby implying that the practice already requires the conditions of Article 5 (1) to be present. By limiting protection for reputed marks only to

cases of dissimilar goods or services, the protection for reputed marks could be amended to a truly exceptional one which could be awarded under strict but clear conditions. It is also important to remember that, as was revealed in this research, the provisions of unfair competition and passing-off laws are frequently relied upon by the parties and courts in cases of use of similar or identical marks to similar goods. As a result, narrowing down the protection for reputed marks only to cases of dissimilar goods would not preclude trademark proprietors from effective enforcement of their rights in the rare cases not covered by the protection against confusion.

5. Protection should be limited to the marks which are known by the public at large and are truly famous. The research has revealed that in most cases only marks which are known by an absolute majority of the public at large succeed in relying upon the protection of their reputation. Such a revelation is hardly surprising as it is conditioned by the need to show harm to the mark in cases of dilution and unfair advantage. If the mark is known only to a niche consumer group and the goods are truly dissimilar, the consumers of both groups of goods will probably never encounter both signs used on the market. Furthermore, even if, although unlikely, they do, whether this causes harm both to the mark or its proprietor, remains unclear. If on the contrary, the mark is known to the public at large, its use on any type of goods is likely to be encountered by consumers of various types of goods. In such cases, the risk that a third party would be tempted to use reputed mark on unrelated goods or that the consumer would stop associating the mark with a particular user is much more plausible.
6. The provisions consist of over burdensome requirements and need to be simplified. Current research has revealed that each element of Articles 5 (3) (a) and 10 (2) (c) of the Directive lacks uniform understanding and consistency in application. It was also shown that the most underdeveloped

and contradictory practice concerns the application of the element of infringement. The author of this thesis believes that there are several reasons for this. Firstly, actual harm or non-hypothetical risk under one of the injuries provided for in the EU law is almost impossible to prove in cases of applications to register later marks for dissimilar goods if the reputed mark enjoys niche fame. As was discussed above, only in cases where marks are known to the public at large harm caused by use on dissimilar goods can be perceived, because for the injury to occur consumer circles of goods marked by the two signs must overlap. As a result, in cases of marks which enjoy niche fame and are used for dissimilar goods, the requirement to prove infringement – any of the types – is virtually impossible. For the same reason reliance on the provisions as was seen in this research was mainly successful when invoked against use on similar or related goods. Secondly, the legal systems or doctrines which constituted a basis for the EU provisions did not provide a detailed list of possible infringements. Article 13 (A) of the Benelux trade mark law, German case law, Article 16 (3) of the TRIPS Agreements and the theory of F. Schechter all spoke of the use of the junior sign which can harm the senior mark. The position chosen by the EU legislators to formulate different infringement types and the later position of the CJEU to interpret all types of infringement as separate led to requirements which are not clear and very difficult to apply in practice. At the same time EU law does require the global appreciation test to be used in evaluating trade mark cases. In the opinion of the author, these two approaches have not been combined successfully so far in applying the protection for reputed marks.

9 Proposal

This research has revealed that the protection for reputed marks within the EU lacks clarity and consistency. The outcome of opposition or judicial proceedings based on reputed marks largely depends on the jurisdiction.

Due to the reasons discussed in the research it is recommended that the protection of reputed marks should be clearly defined in the Directive and the Regulation, in particular by indicating the reasons and aims of such protection and its relationship with the protection against confusion.

Furthermore, it is suggested that the EU provisions should be amended in order to allow additional protection beyond the specialty principle only for marks known by the public at large and only in the case of dissimilar goods.

Lastly, it is proposed that the provisions should be amended to allow a more general requirement of harm to the reputed mark without a detailed separation of possible infringements of detriment or unfair advantage.

A more concrete proposal for the EU provision on reputed marks could be formulated in a following way:

- A proprietor of a trade mark which is known to a substantial part of the public at large in a relevant jurisdiction, should have a right to oppose registration and use of a later sign applied or used for different goods or services provided that use of that sign would indicate a connection between those goods or services and the registered trademark and provided that the registered trademark is likely to be damaged by such use or registration.

It is believed that the proposed amendments would create more clarity of meaning and purpose for these provisions, would enable the CJEU to provide less controversial guidelines on interpretation of the protection of reputed marks which would result in more consistency and effectiveness in applying the protection at EU and national level.

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