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## **THE CONCEPT OF TRADEMARK DILUTION IN THE INTERNATIONAL LAW, THE TRADEMARK LAW OF THE EUROPEAN UNION AND THE TRADEMARK LAW OF THE SOUTH-EASTERN EUROPEAN COUNTRIES**

### **Summary**

*In this paper we argue that the clear legal picture of what trademark dilution represents is essential for the protection of the economic interests of the trademark owners. For this purpose we review the process of branding and the role of the trademark in such processes. Further, we focus on the concept of the trademark dilution taking the US legislation and theory as starting point as there explicit antidilution rules exist. Based on that we review and analyze how this concept is treated in the international and EU intellectual property/trademark law. Last, but not the least, we take a look at the legal standing in the South-Eastern European countries in regard to trademark dilution. We conclude that the international law and the EU legislation provide for protection against dilution, although the rules are not particularly clear. The legislation of the SEE countries analyzed also provides for such protection, however here room for improvement may be found as well.*

**Key words:** *trademark functions, well-known marks, trademark dilution, Paris Convention, TRIPS, EU Trademark Law.*

## I The General Concept of Trademark Dilution

### 1. The functions of the trademark as an introduction to the general concept of trademark dilution

The protection of intellectual property is a legal expression of the need to stimulate creativity and innovation so as to allow time-limited monopoly for the rights holders to enjoy economic benefit from their intellectual creations. Intellectual Property legislation, however, does not aim only to protect the proprietors, but arguably serves as one of the instruments for the protection of consumers of products and services placed on the market. Such protection mechanism may be found in the trademark law. Within the limits inherent to trademark rights, by exclusively assigning the sign to a specific entity, the trademark law offers security to the entity in further investments. This sign, also, serves the companies to develop, by branding and marketing strategies, associations and expectations in the minds of the consumers. In the complex process of branding and marketing strategies the companies appeal to the consumers' emotions and thus affect their purchase decisions. These processes may result in the creation of a particular brand image<sup>1</sup>. One here may actually identify three steps of the trademark development: (1) reservation of the sign through registration processes afforded by the trademark law; (2) use of the sign in advertising and quality control and (3) creation of brand image. These steps may be linked to the functions of the trademark law. The first step of sign reservation relates to the "identification function" of the trademark. The trademark law offers exclusive link of one particular sign to one particular entity for specific goods and services, thus enabling the consumers to identify the enterprise owning the trademark as the commercial source of the goods and services offered under that trademark<sup>2</sup>. In the

1 Jonathan E. Schroeder, "Brand Culture: Trade Marks, Marketing and Consumption", in Lionel Bently, Jennifer Davis, Jane C. Ginsburg (eds.), *Trade Marks and Brands – An Interdisciplinary Critique*, Cambridge University press, 2008, p. 161.

2 This concept upheld in judgment European Court of Justice (hereinafter "ECJ", now Court of Justice of the European Union) in the Case 1/81, *Pfizer Inc. v Eurim-Pharm GmbH* of the). In par. 8 of the decision the ECJ indicates that essential function of the trade mark is "[T]o guarantee the identity of the origin of the trade –marked product to the consumer or final user by enabling him to distinguish without any possibility of confusion between that product and products which have another origin. This guarantee of origin means that the consumer or final user may be certain that a trade –marked product which is offered to him has not been subject at a previous stage in the marketing

substantive trademark law, the requirement of distinctiveness corresponds to this function, as well the entailments of the trademark owners to forbid use of identical or similar signs on identical or similar goods and services that would cause consumers confusion. The identification function is also linked to the second step of advertising when the consumers develop cognitive networks for linking the trademark with specific product and/or service<sup>3</sup>. Under such circumstances, the companies will undertake to maintain the product/service quality at a satisfactory level, as otherwise they will be faced with adverse reaction from the consumers. So, the trademark in this sense has a “quality function”<sup>4</sup>. Last, but not the least, the trademark plays an important role in the creation of brand image, where it serves as a carrier of complex additional information and appeals to emotions related to specific attitude, behavior, societal position etc. This, however, goes beyond the traditional functions of the trademarks. Such functions are not unrecognized. Advocate General Jacobs in *Parfums Christian Dior* also acknowledges that trademark has “communication, investment, or advertising functions”, which “arise from the fact that the investment in the promotion of a product is built around the mark” and are, therefore, “values which deserve protection as such, even when there is no abuse arising from misrepresentations about either origin or quality”<sup>5</sup>. In his Opinion in *Arsenal* case<sup>6</sup>, Advocate General Ruiz-Jarabo Colomer expressed the view that it was “simplistic reductionism to limit the function of the trade mark to an indication of trade origin” and the trademark “acquires a life of its own, making a statement ... about quality, reputation and even, in certain cases, a way of seeing life”. In view of “the current functioning of the market and the behavior of the average consumer”, he “[saw] no

process to interference by a third person, without the authorization of the proprietor of the trade mark, affecting the original condition. of the product.”; available at <http://curia.europa.eu/juris/showPdf.jsf?text=&docid=91373&pageIndex=0&doclang=en&mode=doc&dir=&occ=first&part=1&cid=669360>.

3 See further Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Acquired Distinctiveness, Genericism, Fame, Confusion and Dilution*, New York University, Center for Law and Business, Working Paper #CLB-00-003, pp. 17–26, available at [http://papers.ssrn.com/paper.taf?abstract\\_id=229325](http://papers.ssrn.com/paper.taf?abstract_id=229325).

4 The “quality function” of the mark can be seen in that it “symbolise[s] qualities associated by consumers with certain goods or services” and guarantees that “the goods or services measure up to expectations”; Opinion of Advocate General Jacobs delivered on 29 April 1997 in case C-337/95: *Parfums Christian Dior SA and Parfums Christian Dior BV v. Evora BV*, par. 39, available at <http://curia.europa.eu/juris/showPdf.jsf?text=&docid=100651&pageIndex=0&doclang=en&mode=req&dir=&occ=first&part=1&cid=992533>.

5 Opinion of Advocate General Jacobs delivered in case C-337/95, *ibid*, par. 39.

6 Opinion Of Advocate General Ruiz-Jarabo Colomer delivered on 13 June 2002 in Case C-206/01: *Arsenal Football Club plc v Matthew Reed*, par. 46, available at <http://curia.europa.eu/juris/showPdf.jsf?docid=47408&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=992428>.

reason whatever not to protect those other functions of the trade mark and to safeguard only the function of indicating the trade origin of the goods and services". Probably Advocate General Ruiz-Jarabo Colomer provides the most comprehensive description of the functions of trademarks in the *Elizabeth Florence Emanuel* case<sup>7</sup> distinguishing the identification of origin function and guarantee function as primary. The Opinion clearly indicates the role of the trademark to attract consumers, stressing that a trade mark "condenses" the reputation of the goods offered to the public by its proprietor, recognising that the reputation of the trade mark and, consequently, that of its owner, may be damaged by inappropriate presentation of a packaged product"<sup>8</sup>. In the legal theory, such views on the specific functions of the trademark result in emergence of brand theory of the trademark law<sup>9</sup>. In the substantive trademark law, the distinctiveness requirement is not sufficient to embrace this 'communication' function of the trademark. The specific protection related to the reputation of a trademark more accurately reflects these concepts. Briefly, having in mind the functions of the trademarks, one can distinguish two major protection interests of trademark owners. First, the owners would be interested in protecting the process of establishment of links between the sign and the products/services to which it is placed. Such protection is provided by the concepts of protection against confusion where the trademark rights serve as an instrument to prevent confusing use of identical or similar signs on identical or similar products/services. The second protection interest safeguards the links between the sign and the product/service once they are established. When it comes to identical or similar goods/services, again protection against confusion is applied. However, beyond the area of similarity the protection against dilution provides the defence of the specific economic interests of the trademark owners. As we saw, trademarks qualifying for such protection are those who have already established the links with the consumers i.e. the "well-known marks" (also known as "famous" or "trademarks with reputation").

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7 Opinion of Advocate General Ruiz-Jarabo Colomer delivered on 19 January 2006 in Case C-259/04: *Elizabeth Florence Emanuel v Continental Shelf 128 Ltd*, par. 41-45; available at <http://curia.europa.eu/juris/showPdf.jsf?docid=57972&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=991850>.

8 Par 45 of the Opinion of Advocate General Ruiz-Jarabo Colomer in Case C-259/04.

9 Professor Deven Desai, for example, argues that trademark law actually protects brands, demonstrates how the brand theory of trademark law provides to overcome the incoherence and offers a framework to understand the purpose, functions and scope of trademark law. See further Deven R. Desai, *A Brand Theory of Trademark Law*, available at <http://ssrn.com/abstract=1585327>.

## 2. Trademark Dilution Defined

“Trademark dilution refers to the gradual whittling away of a famous trademark’s capacity to serve as a unique source identifier”.<sup>10</sup> The *antidilution* law “...seeks to prevent diminution in the value of famous mark...by someone other than the trademark holder”<sup>11</sup>. The legal definition of trademark dilution was introduced by the Federal Trademark Dilution Act protecting “[t]he owner of a famous mark . . . against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark”<sup>12</sup>. With the subsequent amendments by the Trademark Dilution Revision Act<sup>13</sup> the definition was précised by introduction of two types of dilution: 1) dilution by blurring and 2) dilution by tarnishment<sup>14</sup>. The TDRA defines ‘dilution by blurring’ as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark”. It also provides guidelines for the courts in determining whether a mark or trade name is likely to cause dilution by blurring<sup>15</sup>. ‘Dilution by tarnishment’ is defined as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark”. Based on these definitions it may be concluded that dilution

10 Justin J. Gunnell, “Evaluation of the Dilution-Parody Paradox in the Wake of the Trademark Dilution Revision Act of 2006”, *Cardozo Arts & Entertainment*, Vol. 26:441, 2008, p. 445.

11 Clarisa Long, “Dilution”, *Columbia Law Review*, Vol. 106, No. 5, 2006, pp. 1033–34.

12 Federal Trademark Dilution Act of 1995 § 3(a), 15 U.S.C. § 1125(c)(1) (2000).

13 H.R. 683 (109th): Trademark Dilution Revision Act of 2006 (hereinafter TDRA).

14 TDRA Sec.2 (1), 15 U.S.C. § 1125(c)(1) (2006) provides “[s]ubject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury”.

15 Thus, the court may consider all relevant factors, including the following: (i) The degree of similarity between the mark or trade name and the famous mark; (ii) The degree of inherent or acquired distinctiveness of the famous mark; (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) The degree of recognition of the famous mark; (v) Whether the user of the mark or trade name intended to create an association with the famous mark; (vi) Any actual association between the mark or trade name and the famous mark”; TDRA Sec.2 (1), 15 U.S.C. § 1125(c)(2)(B) (2006): Thus, the court may consider all relevant factors, including the following: (i) The degree of similarity between the mark or trade name and the famous mark; (ii) The degree of inherent or acquired distinctiveness of the famous mark; (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) The degree of recognition of the famous mark; (v) Whether the user of the mark or trade name intended to create an association with the famous mark; (vi) Any actual association between the mark or trade name and the famous mark.”

may appear in at least two ways: (1) by reducing the level of brand awareness and/or distinctiveness (dilution by blurring) and (2) by reducing the favourability of brand evaluation (dilution by tarnishment). The US courts found for example that the Tiffany's restaurants blur the Tiffany & Co. jewellery mark<sup>16</sup>, Hyatt Legal Services the Hyatt Hotels mark<sup>17</sup>. The dilution protection in US law is aimed at protecting the rights of intellectual property owners' regardless of the consumers' confusion and the existence of economic harm to the existing famous or well-known trademark<sup>18</sup>.

## II Trademark dilution in International and EU Law

The modes of protection of famous or well-known trademarks or the definitions of the subject-matter eligible for protection show that, well-known trademarks are in fact protected against dilution in the international and EC trademark law.

### 1. Trademark *antidilution* in International Law

In the international law the well-known trademarks enjoy protection in two respects: 1) they are exempt from national registration requirements with regard to similar goods and services (protection against confusion) and 2) their protection is extended to dissimilar goods and services.

With regard to the protection against confusion Art. 6bis of the Paris Convention<sup>19</sup> and Art. 16(2) of the TRIPS Agreement<sup>20</sup> stipulate obligation

16 *Tiffany & Co. v. The Boston Club, Inc.*, 1964 as cited by Jacob Jacoby, Maureen Morrin, "Trademark Dilution: Empirical Measures for an Elusive Concept", New York University, Center for Law and Business, Working Paper #CLB-00-005, May 2000, available at [http://w4.stern.nyu.edu/emplibary/00\\_005.PDF](http://w4.stern.nyu.edu/emplibary/00_005.PDF).

17 *Hyatt Corp. v. Hyatt Legal Services*, 1984, as cited by J. Jacoby, M. Morrin, *ibid.*

18 By TDRA a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following: (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties. (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark. (iii) The extent of actual recognition of the mark. (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

19 Paris Convention for the Protection of Industrial Property of March 20, 1883, as amended and revised, hereinafter PC.

20 Trade-Related Aspects of Intellectual Property Rights Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994; hereinafter TRIPS.

to refuse or cancel registration and prohibit the use of signs that are confusingly similar to trademarks which competent national authorities consider well-known<sup>21</sup>. The definitions show inconsistency on international level with regard to the approach in determining what shall be considered a well-known mark. While the PC refers to the *knowledge in the country*, the TRIPS refer to the *relevant sector of the public*. Such inconsistencies may affect the national legislation and practice as many national laws directly refer to Art. 6bis of the PC<sup>22</sup> or use similar or exact wording<sup>23</sup>. This is in a way resolved by the WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks<sup>24</sup>, which in Art.2 provides for clear guidelines for determination of whether a mark is a well-known mark in a Member State, in which as benchmark the ‘relevant sector of the public’ is used.<sup>25</sup>

- 21 Namely, in accordance with Art. 6bis of PC, registration shall be prohibited or cancelled and use shall be prohibited of 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. This shall also be the case when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith. By Art. 16(2) of TRIPS in determining whether a trademark is well-known, Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.
- 22 See for example Article L711–4 of the Intellectual Property Code of France; Art. 2(4)(e) of the Benelux Convention concerning Intellectual Property (Trademarks and Designs) of February 25, 2005; § 10 of the Law on the Protection of Trademarks and other Signs (as amended 22 December 2010).
- 23 § 10 of the Law on Trademarks of Austria of 1970 as amended.
- 24 WIPO publication No. 833, Geneva, 2000, available at [http://www.wipo.int/about-ip/en/development\\_iplaw/pub833.htm](http://www.wipo.int/about-ip/en/development_iplaw/pub833.htm); hereinafter WIPO JRWKM. It was adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO). Although it does not have a binding effect on the member states its legal force as a “soft-law” cannot be denied hereinafter WIPO JRWKM.
- 25 In accordance with Art. 2(2) par. (b) and (c) of the WIPO JRWKM the relevant sector(s) of the public shall include, but shall not necessarily be limited to: (i) actual and/or potential consumers of the type of goods and/or services to which the mark applies; (ii) persons involved in channels of distribution of the type of goods and/or services to which the mark applies; (iii) business circles dealing with the type of goods and/or services to which the mark applies. Where a mark is determined to be well known in at least one relevant sector of the public in a Member State, the mark shall be or may be considered by the Member State to be a well-known mark. Art. 2(2), par. (d) goes even further providing that the Members States may decide a mark to be considered known in the state or in a relevant sector even if it is not well known. The Notes to Article 2 specify that “The degree of knowledge or recognition of a mark can be determined through consumer surveys and opinion polls. The point under consideration recognizes such methods, without setting any standards for methods to be used or quantitative results to be obtained.”

The second level of protection of the well-known trademarks in the international law, as stated above, goes beyond the principle of specialty and provides protection of the well-known marks even in cases when similarity with goods/services they denote does not exist. While PC remains silent on the dissimilarity cases, Art. 4(1)(b) of the WIPO JRWKM, that a mark, irrespective of the goods and/or services for which a mark is used, “shall be deemed to be in conflict with a well-known mark where the mark, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark”, and where among others “the use of that mark is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark”. However, in these cases, the niche-approach established with Art. 2(3) of the WIPO JRWKM does not apply as, Art. 4(1)(c) of WIPO JRWKM provides an option for the Member States to “require that the well-known mark be well known by the public at large.” TRIPS, on the other hand, is less clear. Its Art. 16(3) provides that “[A]rticle 6bis 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 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”. The extension of the protection of the well-known marks to the cases of dissimilar goods and services, afforded by TRIPS, may be considered as recognition of the concept of trademark dilution or in other words as an *antidilution* provision. However, the conditions for affording such protection, provided in Art. 16(3) of the TRIPS (indication of connection to the trademark owner and likelihood of damage to their interest) may question this conclusion, and again raise questions so as to the implementation at a national level.

To summarize, the international legislation provides for flexible standard of protection against dilution. Art. 16(3) of TRIPS could be understood so as to formally recognize the trademark dilution which is further enhanced by the soft law introduced with the WIPO JRWK, in particular its Art. 4(1). The question of the relevant public to which the mark should be known is ambiguous, as the Art. 16(2) of TRIPS and Art. 2(3) of WIPO JRWKM embrace the niche concept while Art. 4(1)(c) of the WIPO JRWKM provides opportunity for a stricter requirement of knowledge by the public at large in the dilution cases. In the same time, Art. 16(3) of the TRIPS could be understood to establish international standard that may be implemented by providing, at national level, a broad concept of protection against confusion. This leads to the conclusion that the specification of the concept of trademark dilution at a national level would be a matter for the national IP policy makers.

## 2. Trademark *antidilution* in EU Law

The IP policy-makers in the Member States of the European Union until recently did not have clearer picture as to the eligibility for protection against dilution. This for the reason that the relevant EC trademark law, until recently, did not have explicit provision in regard to protection against dilution, and the interpretation of thereof did not refer to it. However, in late 2011 the situation changed.

### a) *The Trademark Directive and the pertinent case law*

The Trademark Directive provides protection against dilution on two levels – by including the concept as relative (further) ground for refusing registration or its cancellation and by conferring such protection as one the bundle of exclusive rights of the trademark proprietor. In accordance with Art. 4(3) registration shall be refused, or if registered the trademark shall be liable to be declared invalid if it is identical with, or similar to, an earlier Community trade mark and is to be, or has been, registered for goods or services which are not similar to those for which the earlier Community trade mark is registered, where the earlier Community trade mark has a reputation in the Community and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier. Furthermore, the directive provides option for the Member State such rules to be applicable in the cases or earlier trademarks with reputation in the Member States (Art. 4(3)(a)). Further, Art. 5(2) provides option for the Member States to entitle the trademark owner (proprietor) “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 (to be understood as well-known, explanation added) 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 void of further guidelines in the Trademark Directive is fulfilled by the interpretation of the relevant article provided by the European Court of Justice<sup>26</sup> in the case *General Motors Corporation v Yplon SA*<sup>27</sup>. ECJ found in order to satisfy the requirement relating to reputation of Art. 5(2) “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

26 Now Court of Justice of the European Union.

27 Judgment of the Court of 14 September 1999; *General Motors Corporation v Yplon SA*; Case C-375/97; European Court reports 1999 Page I-05421.

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. Territorially, the condition is fulfilled when the trade mark has a reputation in a substantial part of the territory of a Member State since, failing closer definition of requirements under Community law on this point, a trade mark cannot be required to have a reputation ‘throughout’ the territory of the Member State’. The ruling shows that: (1) ECJ construes the reference to “reputation” as requirement for a certain degree of knowledge<sup>28</sup> and (2) ECJ favors the niche approach, as it clearly indicates that it considers knowledge by individual target group of the product concerned sufficient<sup>29</sup>. The ECJ, later has ruled on whether *antidilution* plaintiffs must show actual or likely, detriment or unfair advantage in either infringement cases or registration challenges. In the case *L’Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd, trading as Honey pot cosmetic & Perfumery Sales, Starion International Ltd*<sup>30</sup>, ECJ found that Article 5(2) must be interpreted as meaning that “does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor”<sup>31</sup>.

The latest judgment of the ECJ explicitly introduces the concept of dilution in the EU trademark law. In the Judgment of the Court (First Cham-

28 This interpretation is confirmed by the other language versions of the Trademark Directive, such as the German and the Dutch where the term “mark that is known” is used (ECJ, *ibid*, par. 20).

29 ECJ, *ibid*, par. 26.

30 Case C-487/07: Judgment of the Court (First Chamber) of 18 June 2009 (Reference for a preliminary ruling from the Court of Appeal (England and Wales) (Civil Division) — United Kingdom — L’Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd, trading as Honey pot cosmetic & Perfumery Sales, Starion International Ltd, *OJ C* 180, 1.8.2009, p. 6.

31 ECJ provides that “[T]he taking of unfair advantage of the distinctive character or the repute of a mark, within the meaning of that provision, does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The 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 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. By this the ECJ in a way confirmed the position of the Advocate General Jacobs in the earlier *General Motors Corporation v Yplon SA* case [ECJ, Case C-375/97], who noted that: “... Article 5(2), in contrast to Article 5(1)(b), does not refer to a mere risk or likelihood of its conditions being fulfilled. The wording is more positive: ‘takes unfair advantage of, or is detrimental to’ (emphasis added). The national court must be satisfied of evidence of actual detriment, or of unfair advantage.

ber) of 22 September 2011 in *Interflora Inc, Interflora British Unit v Marks & Spencer plc, Flowers Direct Online Ltd*<sup>32</sup>, the court finds that Art.5(2) “[M]ust be interpreted as meaning that the proprietor of a trade mark with a reputation is entitled to prevent a competitor from advertising on the basis of a keyword corresponding to that trade mark, which the competitor has, without the proprietor’s consent, selected in an internet referencing service, where the competitor thereby takes unfair advantage of the distinctive character or repute of the trade mark (free-riding) or where the advertising is detrimental to that distinctive character (dilution) or to that repute (tarnishment). Advertising on the basis of such a keyword is detrimental to the distinctive character of a trade mark with a reputation (dilution) if, for example, it contributes to turning that trade mark into a generic term. By contrast, the proprietor of a trade mark with a reputation is not entitled to prevent, inter alia, advertisements displayed by competitors on the basis of keywords corresponding to that trade mark, which put forward — without offering a mere imitation of the goods or services of the proprietor of that trade mark, without causing dilution or tarnishment and without, moreover, adversely affecting the functions of the trade mark with a reputation — an alternative to the goods or services of the proprietor of that mark.” By this decision the ECJ provides: (1) a definition of what in the EC trademark law shall be considered dilution – act that is detrimental to the distinctive character of a trademark with a reputation, separating it from the acts detrimental to the repute of a trademark with reputation: (2) provides, although descriptive, conditions for the protection against such acts in the cases of advertising on the basis of key words.

### *b) Protection of the Community Trademark against dilution*

This interpretation provided in *Interflora Inc, Interflora British Unit v Marks & Spencer plc, Flowers Direct Online Ltd* equally refers to Art. 9(1)(c) of Regulation No 40/94 on the Community trade mark<sup>33</sup> which similarly to Art. 5(2) provides for protection against “any sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the

32 Case C–323/09, OJ C 282, available at <http://curia.europa.eu/juris/document/document.jsf?text=&docid=113919&pageIndex=0&doclang=en&mode=req&dir=&occ=first&part=1&cid=992987>, 21.11.2009.

33 Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark, OJ L 11, 14.1.1994, p. 1–36. (Hereinafter CTM Regulation). The CTM Regulation implements separate Community trademark (“CTM”) registration system. The administration of registrations and adjudication of oppositions is conferred to the Office for Harmonization of the Internal Market (“OHIM”) established by the Regulation.

distinctive character or the repute of the Community trade mark". This decision will, without a doubt, affect the understating of Art. 8(5) of the CTM Regulation which provided for protection against dilution in CTM registration process<sup>34</sup>. In regard to the question whether or not actual dilution is required, it is to be noted that OHIM Board of Appeal in *Hollywood* case recognized that requiring actual dilution would diverge from the objective of examining marks for their potential to cause dilutive effects before they are registered: "The detriment in question may be only potential, in as much as the contested sign has not yet been registered, much less used"<sup>35</sup>. This suggests that OHIM, recognizes that in opposition proceedings mere likely detriment or unfair advantage would be sufficient. The Court of First Instance in *Spa Monopole* also stated that likely dilution is the correct standard in CTM opposition cases, making it "clear that the proprietor of the earlier mark is not required to demonstrate actual and present harm to his mark"<sup>36</sup>. But what is the level of likelihood that should be demonstrated by the opponent for the registration to be rejected? In the *Hollywood* case the Board of Appeal refers to "a simple probability"<sup>37</sup>, while in the *monBéBé* case, required a showing of a "serious likelihood of unfair advantage"<sup>38</sup>, without offering guidance on how a "serious" likelihood differs from a "normal" likelihood except "the likelihood of association alone... is not sufficient to demonstrate the existence of unfair advantage." Again it seems this would be left for dealing based on the specificities of the case.

34 Art. 8(5) provides for refusal of registration, upon opposition by the proprietor of an earlier trade mark, where the trade mark applied for is "identical with or similar to the earlier trade mark and is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, where in the case of an earlier Community trade mark the trade mark has a reputation in the Community and, in the case of an earlier national 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"

35 Decision of the Third Board of Appeal of 25 April 2001 in Case R 283/1999-3, *Hollywood S.A.S. v. Souza Cruz S.A.*, available at [http://oami.europa.eu/LegalDocs/BoA/1999/en/R0283\\_1999-3.pdf](http://oami.europa.eu/LegalDocs/BoA/1999/en/R0283_1999-3.pdf).

36 Case T-67/04, *Spa Monopole v. OHIM*, available at <http://oami.europa.eu/en/mark/aspects/pdf/JT040067.pdf>.

37 If one undertakes linguistic interpretation of the wording may found that 'probability' suggests a relatively high likelihood – something that is more likely to happen than not, rather than the mere possibility of unfair advantage or detriment. This as the English language makes difference between 'possibility' (a thing that may happen or be the case) and 'probability' (the extent to which something is likely to happen or be the case); see for example <http://oxforddictionaries.com/>.

38 Case R 220/2002-1, *Johnson & Johnson GmbH v. Ampafrance S.A.*; available at [http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220\\_2002-1.pdf](http://oami.europa.eu/LegalDocs/BoA/2002/en/R0220_2002-1.pdf).

### III Trademark dilution in the law of the SEE countries

The countries of the South-Eastern Europe, driven by their EU and WTO integration efforts, strive to achieve the international and the EC standards in the trademark protection. However, as we saw, the international standards in regard to the protection against the dilution are rather broad and leave room for interpretation by the national policy-makers. The EU standards in this filed, only recently have become more precise. In this part of the article we will provide a brief review of the legislation in some SEE countries related to the protection of well-know marks.

The Law of the *Republic of Albania* on Industrial Property no. 9977 of July 07, 2008<sup>39</sup> recognizes the two folded concept of protection against trademark dilution – protection in the registration procedure and in infringement litigation. The legislator provided that registration shall be refused or cancelled on relative grounds if the mark is “identical with, or similar to, an earlier mark, even when it is, or has been, registered for goods or services which are not similar to those for which the earlier trade mark is registered, where the earlier trade mark has a reputation in the Republic of Albania, and its use or registration, without due cause, takes unfair advantage of, or damages, the distinguishing nature or the good name of the earlier mark”<sup>40</sup>. This provision is almost *ad literam* transposition of the Art. 4(3)(a) of the Trademark Directive. Similarly, Art. 5(2) of the Trademark Directive has been transposed in the Art. 156 (Rights that Come from the Registration) where the *antidilution* concept is protection against infringement of the well-known mark. In determining the relevant knowledge the Albanian legislator used the stricter approach requesting such knowledge to exist on the territory of the country and not in the relevant market niche.

The Trademark Law of *Bosnian and Herzegovina*<sup>41</sup> as relative grounds for refusal of registration sets both the existence of the condition in the Art. 6bis of the Paris Convention and Art. 16(3) of the TRIPS<sup>42</sup>, thus, distinguish-

39 Official Gazette No. 121/2008, page 121.

40 Art. 143, par. 1(c).

41 Zakon o žigu (*Službeni glasnik Bosne i Hercegovine*, No. 53/2010).

42 Art. 7(1): On the grounds of an opposition filed, a trademark shall not protect a sign: ...b) which is identical or similar to, for the identical or similar kind of goods or services, a sign of another person which is well-known in BiH, within the meaning of Article 6bis of the Paris Convention for the Protection of Industrial Property (hereinafter: a well-known sign); c) which, in accordance with Article 16, paragraph 3 of the TRIPS Agreement (the Agreement on Trade-Related Aspects of Intellectual Property Rights), regardless of the goods or services to which it relates, constitutes a reproduction, an imitation or a transliteration of a protected sign of another person or the essential part thereof, which is known beyond any doubt by the participants in the course of trade in BiH as

ing between the well-known marks and famous marks and only the later fall in the *antidilution* concept. Specific for the law of Bosnia and Herzegovina is that it sets forth clear guidelines for determining if a sign is a well-known or a famous sign<sup>43</sup>. Art. 49 provides exclusive rights of the owner, and the protection against trademark dilution is one of them<sup>44</sup>. As a specificity of the B&H legislation it is to be noted that, this legislative piece is one of the rare which uses the broader niche approach, even though it is applicable only in the protection against dilution in the registration procedure.

The *Trademarks Act of Croatia*<sup>45</sup> sets the protection against dilution as one of the relative grounds for the refusal of registration. Upon opposition registration may be refused in the cases of dissimilar goods/services where the earlier trademark has a reputation in the Republic of Croatia and where the use of the later trademark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the reputation of the earlier trademark<sup>46</sup>. In addition, the Croatian legislation provides entitlement to the holder to prevent all third parties from having their authorization from using in the course of trade: any sign which is identical with, or similar to, his trademark in relation to goods or services which are not similar to those for which the trademark is registered, where the trademark has a reputation in the Republic of Croatia and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the reputation of the trademark<sup>47</sup>. Such definition in the Croatian legislation are in line in the EC standards, however the legislator opted for the stricter approach in determining the knowledge i.e. the reputation.

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a sign of high reputation (hereinafter: a famous trademark) used by another person to designate his goods or services, if the use of such a sign would take unfair advantage of the reputation of a famous trademark or be detrimental to its distinctive character or reputation.

43 Art. 8 provides that in determining whether the sign is a well-known sign or is a famous trademark, “the knowledge of the sign in the relevant sector of the public, including the knowledge which has been obtained as a result of the promotion of the sign shall be taken into account”, where as relevant sector of the public “the actual and potential users of goods or services designated by such a sign, as well as persons involved in the distribution channels of such goods or services” shall be considered.

44 By art. 49 (1) The holder of a trademark shall be entitled to prevent other persons from using without authorization: ...c) a sign which is identical with or similar to his trademark with respect to the goods or services which are not similar to those for which the trademark is registered, where the trademark has a reputation in Bosnia and Herzegovina, and where the use of that sign without due cause takes unfair advantage of or is detrimental to the distinctive character or the reputation of the trademark (a famous trademark).

45 Zakon o žigu (*Narodne Novine*, No. 173/2003, 76/2007, 30/2009 and 49/2011).

46 Art. 6(3), which is transposition of the Art. 4(3)(a) of the Trademark Directive.

47 Art. 7(2)(3), by which Art. 5(2) of the Trademark Directive is transposed.

The Law on Industrial Property of the *Republic of Macedonia*<sup>48</sup> provides that protection by trademark shall not be conferred to a sign which is identical or similar to an earlier registered trademark to other party, for goods/services which are neither identical, nor similar to the goods/services the sign has been reported for, if the earlier registered trademark has reputation in the Republic of Macedonia and if the use of this sign, without justified reason, would represent an unfair competition or would do harm to the distinctive character or the reputation of the trademark<sup>49</sup>. In defining the ‘earlier registered trademark’ the legislator refers both to Art. 6bis of the Paris Convention and the Art. 16(3) of the TRIPS<sup>50</sup>. Art. 206, par. 3(3) confers the right to the holder to prohibit the use of identical or similar trademarks for dissimilar goods/service provided the trademark has the reputation in the Republic of Macedonia and the use of that sign without justified reason may lead to unfair competition and damage the distinctive character or reputation of the trademark. The legislative text shows transposition of the relevant Trademark Directive, as seen in the other SEE countries, as well as the use of the predominant stricter approach in determining the existence of knowledge.

The trademark legislation of *Montenegro*<sup>51</sup>, also provides the existence of earlier mark as a relative ground for refusal of registration in the cases of dissimilar goods/services<sup>52</sup>. The question on the standard of knowledge that should exist in these cases is rather ambiguous. Namely, for the cases of application for registration for similar goods/services the Trademark Act specifies the niche approach<sup>53</sup>, while for the dissimilar remains silent, thus leading to the conclusion that the stricter approach – need for knowledge on the territory of the State, is adopted. The protection against dilution is one of the exclusive rights which the legislation grants as it provides that the proprietor may forbid use of “[A]ny sign which is identical with his/her trademark or similar to his/her trademark in relation to goods and/or services which are not similar to those for which the trademark has been registered, where such trademark has a certain reputation in Montenegro and where it represents unjustified utilization and acquisition of unjustified benefit or is detrimental to the distinctive character or repute of the trademark”<sup>54</sup>. Again in regard to the determination existence of reputation the stricter approach is adopted.

48 Закон за индустриската сопственост (*Службен весник на Република Македонија*, No. 21/2009 and 24/2011).

49 Art. 178, par. 4.

50 Art. 178, par. 3(3).

51 The Law on Trademarks – Закон о жигу (*Службени листи Црне Горе*, No. 72/2010).

52 Art. 7, par. 6.

53 Art. 7 par 5 and 6 in relation to par. 2 and 3.

54 Art. 10, par. 2(3).

In *Serbia* the Trademarks Act<sup>55</sup> clearly provides protection of well-known trademarks against use for dissimilar goods and service. Art. 5, par. 1 point 11) provides that trademark registration may not be afforded to a sign which “regardless of the goods and/or services concerned, is a reproduction, imitation, translation or transliteration of a registered trademark of another person, or the essential segment thereof, which is known without any doubt to those participating in the commerce in the Republic of Serbia as a mark of widespread reputation (hereinafter; “famous trademark”) used by other persons for marking their goods and/or services, if the use of such a mark would result in an unfair benefit from the reputation acquired by the famous trademark or in harm to its distinctive character and/or reputation”. In determining if the mark is famous “the familiarity of the relevant part of the public with the mark shall be taken into account, including their familiarity with the mark as a consequence of promotional activities in respect of the mark”<sup>56</sup>. The protection against dilution is seen as an exclusive right of the holder in the Serbian legislation as Art. 43 clearly entitles the holder of a registered famous trademark to forbid others “from using the same or similar mark for marking goods and/or service, which are not similar to those for which the trademark has been registered if such use of the mark would indicate a connection between those goods and/or service and the holder of a famous trademark and if it is likely that the interests of the holder of the famous trademark would suffer damages by such use”<sup>57</sup>. The Serbian legislation, as we see, compared to the legislation of other SEE counties, provides the broadest protection against trademark dilution.

#### IV Conclusion

The notion that trademark dilution may in fact be harmful originated with Schechter who described the potential damage as “the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods.”<sup>58</sup> Others have described it as lessening of the uniqueness or distinctiveness of a famous brand in the minds

55 Закон о жиговима (Службени гласник РС, No. 104/2009).

56 Art. 5, par 5, where The relevant part of the public shall be understood to mean the actual and the potential users of the goods and/or services designated by the mark, as well as the persons involved in the process of distribution of the respective goods and/or services.

57 Art. 46, par 2.

58 Frank I. Schechter, “The rational basis of trademark protection”, *Harvard Law Review*, No. 40, p. 813, as cited by Mathias Strasser, “The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context”, *Fordham Intell. Prop., Media & Ent. L. J.*, 10:375 2000, p. 413, n. 146.

of consumers, blurring of a famous brand's identification, watering down the potency of a famous brand, and weakening a famous brand's propensity to bring to mind relevant associations (Pattishall<sup>59</sup>, Simonson<sup>60</sup>). Such potential for harm requires development of clear legal standards in the trademark dilution. In the international trademark legislation the Paris Convention provides for protection against dilution in the registration process, while the TRIPS agreement considers it as one of the entitlements of the trademark holders. In addition, soft-law has been established to provide further guidance on the issues of what shall be considered relevant knowledge of the trademark and how its existence should be determined. However, the international legislation does not have a clear definition of what constitutes trademark dilution. Such definition at EU level emerged only recently and is yet to be seen how it will affect the legislation of the Member States and the practice of the Court of Justice of the European Union and the OHIM. The SEE countries with different degrees of success have transposed the existing international and EU trademark law in regard to protection against dilution and provide for such protection both in the registration procedures and infringement litigations. This sets good grounds for further development of the concept of trademark dilution.

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59 Beverly W. Pattishall, "Dawning acceptance of the dilution rationale for trademark-trade identity protection", *The Trademark Reporter*, 74/1984, pp. 289–310.

60 Alexander Simonson, "How and when do trademarks dilute: A behavioral framework to judge 'likelihood' of dilution", *The Trademark Reporter*, 83(2)/1983, pp. 149–174.

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## КОНЦЕПТ РАЗВОДЊАВАЊА ЖИГА У МЕЂУНАРДНОМ ПРАВУ, ЖИГОВНОМ ПРАВУ ЕВРОПСКЕ УНИЈЕ И ЖИГОВНОМ ПРАВУ ЗЕМАЉА ЈУГОИСТОЧНЕ ЕВРОПЕ

### Резиме

У овом раду аргументирујемо да је јасна њравна слика о томе шта је разводњавање жића од особитие важности за заштитиу економских интереса носиоца жића. У тоу сврху разгледамо процесе брендирања и функције жића у тим процесима. Даље, фокусирамо се на њојмовно ѡдределење разводњавања жића, узимајући америчке законе и теорије као ѡлазну тачку јер они садрже експлицитна ѡравила ѡрѡтив разводњавања. На основу тога, анализирамо како се овај концепт ѡређује у међународном ѡраву и ѡраву жића Европске уније. Последње, али не и најмање важно, разгледамо и оцењујемо ѡравни оквир разводњавања жића у земаљама југоисточне Европе. Закључујемо да међународно ѡраво и ЕУ законодавство обезбеђује заштитиу од разводњавања жића, мада ѡравила нису ѡсебно јасна. Законодавство анализираних земаља југоисточне Европе такође обезбеђује такву заштитиу, међу тим и овде се може наћи ѡрѡтора за унапређење ѡравног оквира.

**Кључне речи:** функције жића, чувени жићови, разводњавање жића, Париска конвенција, ТРИПС, жићовно ѡраво Европске уније.