The Uniqueness of the Trade Mark: A Critical Analysis of the Specificity and Territoriality Principles

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Competition law; Confusion; Dilution; Passing off; Trade marks

This article advances three interrelated propositions that can stimulate fair competition. It first explores the gradual decoupling of the trade mark from goods or services, then investigates the coupling of the extension of trade mark use to protection against confusion, dilution and free-riding. The article continues by researching the decoupling of protection against dilution from fame or reputation, and then combines these propositions, with reference to the legislation and case law in the US and EU, before providing conclusions.

Introduction

Competition benefits from new market entrants. However, these new entrants need to use trade marks that can distinguish one undertaking from those already active in the market, without confusion, dilution or free-riding.[1] Therefore the aim should not be just more competition, but more fair competition.

Competition law is aimed at preventing or correcting collusion, anti-competitive measures and concentration of markets,[2] which can impose market barriers for new entrants. One can argue that competition law's objective is to promote consumer welfare, market access and the promotion of innovation.[3]

What are the goals of trade mark law? According to the guidelines of the Department of Justice (DoJ) and Federal Trade Commission (FTC) about licensing intellectual property rights, intellectual property laws and antitrust laws share the purpose of promoting innovation and enhancing consumer welfare.[4] Even though these guidelines do not deal with trade marks, the DoJ and FTC made it clear that "the general antitrust principles that apply to other forms of intellectual property apply to trademarks as well".[5]

The purpose of the trade mark is to distinguish the goods or services of one undertaking from those of other undertakings. The essential function of the trade mark, to identify and distinguish the source of origin, has arguably become less essential,[6] while other functions have become at least as essential: the communication, advertising and investment functions. The scope of the trade mark corresponds with the classes that designate one or more goods and/or services. According to this specificity principle the senior trade mark is protected against similar or identical marks for the same goods and services to avoid confusion, unless the trade mark is a famous trade mark,[7] in which case the trade mark is also protected against similar or identical junior marks for dissimilar goods or services[8] to avoid dilution by blurring, tarnishment or free-riding.

Because of globalisation and the internet, proprietors have a need to extend the use of their trade mark to other countries, with the certainty of protection against dilution by blurring, tarnishment and free-riding. Then again, just as in the case of the specificity principle, the territoriality principle has created a situation whereby different proprietors have to involuntarily share a trade mark with all the risks of actual and likelihood of confusion and dilution. These effects are only partially mitigated by the right of priority and the well-known trade mark doctrine:

* IP Dragon, gathering commenting on and sharing information about intellectual property in China to make it more transparent, since 2005: see *http://ipdragon.org* [Accessed 29 August 2016]. Special gratitude goes to Professor Charles Gielen who gave feedback to the author. The author is also grateful to the anonymous referee.

[1] G. Lunney, "Trademark Monopolies" (1999) 48 Emory L.J. 367. Lunney argued that the expansion of trade mark protection against trade mark dilution is harmful for competition, since proprietors of famous trade marks can gain monopoly rent without benefits to consumers. In contrast, Strasser argued that these property-based trade mark rights are good for competition from an economic point of view: M. Strasser, "The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context" (2000) 10 Fordham Intell. Prop. Media & Ent. L.J. 375, 393–395.

[2] "Agreements, monopolization, and mergers raise the most important antitrust issues today and are most likely to implicate IP": Michael A. Carrier, *Innovation for the 21st Century: Harnessing the Power of Intellectual Property and Antitrust Law* (Oxford: Oxford University Press, 2009), p.55. However, one must take into account that Carrier's book deals only with the relation between antitrust law and copyright and patent law.

[3] According to A.G. Jääskinen in *Interflora*, "the purpose of economic competition is to enhance consumer welfare by the introduction of better (in terms of quality, characteristics or price) substitutes to existing products, thereby promoting efficiency and innovations leading to more rational allocation of the factors of production": Opinion of Advocate General in *Interflora Inc v Marks & Spencer Plc* (C-323/09) EU:C:2011:173 at [45] n.34.

[4] US Department of Justice, FTC, "Antitrust Guidelines for the Licensing of IP" (1995), para 1, referring to *Atari Games Corp v Nintendo of America Inc* 897 F. 2d 1572, 1576 (Fed. Cir. 1990): "[T]he aims and objectives of patent and antitrust laws may seem, at first glance, wholly at odds. However, the two bodies of law are actually complementary, as both are aimed at encouraging innovation, industry and competition." The guidelines cover licensing patents, copyrights, trade secrets and know-how, but not trade marks.

[5] "Although the same general antitrust principles that apply to other forms of intellectual property apply to trademarks as well, these Guidelines deal with technology transfer and innovation-related issues that typically arise with respect to patents, copyrights, trade secrets, and know-how agreements, rather than with product-differentiation issues that typically arise with respect to trademarks": US Department of Justice, FTC, "Antitrust Guidelines for the Licensing of IP" (1995), n.2.

[6] Since *Scandecor*, it is sufficient for a trade mark to denote a constant source: *Scandecor Development AB v Scandecor Marketing AB* [2001] UKHL 21; [2001] 2 C.M.L.R. 30.

[7] Famous trade marks in the US, trade marks with a reputation in the EU, and well-known trade marks following the Paris Convention for the Protection of Industrial Property and Agreement of Trade-Related Aspects of Intellectual Property Rights terms. Each term has its own scope and conditions for recognition.

[8] A senior famous trade mark is protected against an identical or similar junior mark for non-similar, similar and identical goods and services. Cases that involve an identical trade mark for identical goods or services are called double identity cases. See *Davidoff & Cie SA v Gofkid Ltd* (C-292/00) [2003] E.C.R. I-389; [2003] 1 C.M.L.R. 35 at [24]–[26].

> "Where two parties … are employing the same mark … in separate markets wholly remote the one from the other, the question of prior appropriation is legally insignificant, unless at least it appears that the second adopter has selected the mark with some design inimical to the interests of the first user … ."[9]

This quote from Justice Pitney in *Rectanus* about remoteness and separation of markets made the proposition for identical and similar trade marks to co-exist tolerable in 1918. However, times have changed because of globalisation and the internet, but owing to path dependency the principles of territoriality and specificity are still based on this very concept.

One can argue that in the era of globalisation and the internet, the principles of specificity and territorialism are anachronisms.[10] Proprietors should be able to extend the use of their trade marks abroad, without causing confusion or dilution, and without becoming a victim of misrepresentation and misappropriation. This way trade mark law can be used not only to protect consumers, but in an instrumental way: as a tool of economic policy to equip domestic producers to compete in global markets.[11] There have been some encouraging historical developments towards unifying trade mark systems, so that distinctiveness is no longer assessed in fragmented trade mark systems but in a uniform trade mark system. The US has demonstrated that it could complement a fragmented trade mark system, that of the states of the US, with a federal trade mark system under the 1946 Lanham Act. In 1971 the uniform Benelux trade mark system replaced the respective trade mark systems of Belgium, the Netherlands and Luxembourg. And in 1995 the uniform Community trade mark system of the EU was introduced, which complements the national systems of the 28 EU Member States.

In short, although territorialism has not been rejected, in some cases the territory has been significantly expanded. In an ideal world there would be a global trade mark system where only trade marks are registered that are truly unique, so that conflicts based on confusion, dilution and unfair competition can be avoided. Because of path dependency, state sovereignty and institutional interests, the territorialism of trade mark systems is difficult to overcome. Therefore, this article focuses on the lower hanging fruit: how to mitigate the influence of the specificity principle by using trade mark logos to raise the trade mark's uniqueness, with or without the consent of other jurisdictions.

Is the end of Nice nigh?

Most jurisdictions use the Nice Classification,[12] where each trade mark designates one or more classes of goods or services. This leads to situations whereby separate proprietors have to share the same trade mark name for dissimilar goods. It was considered that if the proximity between these goods or services is not very close, this would not cause problems. However, in 1927 Frank Schechter pointed out in a seminal *Harvard Law Review* article that:

> "The real injury in all such cases can only be gauged in the light of what has been said concerning the function of a trade mark. It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."[13]

Article 16(3) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) ensures that protection of well-known marks of art.6bis Paris Convention for the Protection of Industrial Property (Paris Convention) is extended to dissimilar goods and, in conjunction with art.16(2) Paris Convention, also to service marks. Interestingly, even in the application of the Federal Trademark Dilution Act (FTDA) of 1995 that protected famous trade marks against identical or similar marks for dissimilar goods, the similarity of the goods still was a factor to take into account.[14] Since the implementation of the Trademark Dilution Revision Act (TDRA) in 2006 it is clear that the famous trade marks of not only goods that are dissimilar, but a fortiori also those of goods that are identical or similar can by blurred, tarnished or taken unfair advantage of. Despite the wording in the anti-dilution provisions in the Trade Mark Directive and Community Trade Mark, which only mentions dissimilar goods, the Court of Justice of the EU (CJEU) has made it clear since *Davidoff*[15] that the provision to protect against dilution is also applicable to identical or similar goods.

Proprietors of trade marks, whether or not they are famous or have a reputation, should be able to extend the use of their trade mark for new and unrelated activities and be able to leverage the reputation and fame they have. This flexibility in the use of trade marks could stimulate more entrepreneurship within companies, and make markets arguably more free and dynamic.

[9] *United Drug Co v Theodore Rectanus Co* 248 U.S. 90, 101 (1918).
[10] "The territorial model of trademark law … is an anachronism in the global market": Marshall A. Leaffer, "The New World of International Trademark Law" (1998) 2 Marq. Intell. Prop. L. Rev. 1, 28.
[11] Graeme Dinwoodie, "Trademarks and territory: Detaching trademark law from the nation-state" (2004) 41(3) Houston L. Rev. 885, 969.
[12] Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Classification), 15 June 1957, WIPO.
[13] Frank I. Schechter, "The Rational Basis of Trademark Protection" (1927) 40 Harv. L. Rev. 813, 825.
[14] Judge Sweet's factors were: (1) similarity of the marks; (2) similarity of the products covered by the marks; (3) sophistication of consumers; (4) predatory intent; (5) renown of the senior mark; and (6) renown of the junior mark: see *Mead Data Central Inc v Toyota Motor Sales U.S.A. Inc* 875 F. 2d 1026, 1035 (2d Cir. 1989).
[15] *Davidoff* [2003] E.C.R. I-389; [2003] 1 C.M.L.R. 35.

There is an abundance of possibilities to come up with fancy, arbitrary or invented words,[16] only limited by a lack of creativity. Words can be combined with existing words, numbers or a logo, which by itself provides infinite possibilities. In addition, the trade mark has available a growing arsenal of characteristics, such as colour, shape, smell and taste. Therefore scarcity arguments must be rejected. Moreover, trade marks that are not inherently distinctive can acquire distinctiveness.

In case law, courts already use trade mark logos, as part of a contextual analysis, to assess whether there is sufficient similarity between the sign and the trade mark. This article proposes to extrapolate this development and gradually decouple trade marks from goods and services by only allowing the registration of unique trade mark logos.

The protection against dilution by blurring, tarnishment and free-riding is so far the privilege of famous trade marks or trade marks with a reputation. The fallacious idea is that only trade marks that fall within the scope of fame in the US or reputation in the EU can suffer or are likely to suffer from dilution. However, the criteria for fame and reputation are ambiguous and controversial. The perception of trade marks by the relevant public is dynamic, and some trade marks can be famous or have a reputation within a niche of the public.

This article advances three interrelated propositions that can stimulate fair competition: the first section explores the gradual decoupling of the trade mark from goods or services; the second section investigates the coupling of the extension of trade mark use to protection against confusion, dilution and free-riding; the third section researches decoupling the protection against dilution from fame or reputation; the fourth section combines these propositions, with reference to the legislation and case law in the US and EU; and the fifth section provides the conclusions.

Gradually decoupling the trade mark from goods or services

Frank Schechter is often mentioned as the father of trade mark dilution on both sides of the Atlantic. Instead of "trade mark dilution" Schechter used a different phrase, "gradual whittling away or dispersion of the identity and hold upon the public mind".[17] More importantly, his view that the preservation of the uniqueness of a trade mark constitutes the only rational basis for its protection[18] was never implemented. Instead, legislation was drafted that only protected famous trade marks: first implemented in the US in the FTDA[19] in 1996 and since 2006 in the TDRA.[20] In the EU the equivalent of the protection against trade mark dilution is called protection against trade mark use that is taking "unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark",[21] and here too they did not completely follow Schechter's vision. The EU restricts the protection to trade marks with a reputation, which was implemented for national trade marks in the EU in Directive 89/104 of 1988 (Trade Mark Directive),[22] and for Community trade marks in Regulation 40/94 of 1993 (Community Trade Mark Regulation),[23] despite the fact that one can derive from Schechter's epistles that he was an advocate for the extension of the use of the trade mark for other goods or services.[24] However, the current trade mark system is based on the principle of specificity and the costly Nice Classification system,[25] which allows for identical or similar trade marks for dissimilar classes of goods and services. Most jurisdictions acknowledge that this causes problems, even when confusion is unlikely, especially in the case when marks perform communication, advertising and investment functions

> "which go beyond linking goods or services to a uniform source such as presenting an image of quality, exclusivity, youth, fun, luxury, adventure, glamour or other reputedly desirable lifestyle attributes".[26]

If a court were to allow that a similar or identical trade mark name is used by a junior trade mark user for the same good or service, this de facto would cause a

[16] According to Timburg, selecting successful trade marks is a matter "of giving conventional forms of syllabification and ornamentation a reiteration prolonged and attractive enough to evoke a conditioned reflex on the part of their audience-the so-called consumer response": Sigmund Timberg, "Trade-Marks, Monopoly, and the Restraint of Competition" (1949) 14 *Law and Contemporary Problems* 323, 323.
[17] Schechter, "The Rational Basis of Trademark Protection" (1927) 40 Harv. L. Rev. 813.
[18] Schechter, "The Rational Basis of Trademark Protection" (1927) 40 Harv. L. Rev. 813.
[19] Federal Trademark Dilution Act (FTDA), enacted in 1996.
[20] Trademark Dilution Revision Act (TDRA), §43(c) of the United States Trademark Act of 1946 amended by 15 USC §1125(c)(2).
[21] Directive 89/104 art.5(2) and Regulation 40/94 art.9(1)(c).
[22] The First Council Directive 89/104 to approximate the laws of the Member States relating to trade marks was replaced by Directive 2008/95 to approximate the laws of the Member States relating to trade marks.
[23] Regulation 40/94 was replaced by Regulation 207/2009 on the Community trade mark.
[24] Schechter, "The Rational Basis of Trademark Protection" (1927) 40 Harv. L. Rev. 813, 823.
[25] Since 1963 the Special Union of the Nice Agreement has come up with 10 editions of classifications in a continual attempt to solve newly emerging problems. This demonstrates the instability of the classification system. The patches sometimes create new problems. Intrinsically, the classification system can be qualified as a costly burden for trade mark proprietors. The application for the registration of the trade mark for each additional international class of goods and services involves an additional fee, according to the fee schedule of the USPTO: United States Patent and Trademark Office (USPTO) Fee Schedule, effective 19 March 2013, last revised on 3 June 2013, *http://www.uspto.gov/web/offices/ac/qs/ope/fee031913.htm*. See also the fee schedules of the EUIPO: "Fees and their payment", *https://euipo.europa.eu/ohimportal/en/fees-and-their-payment?inheritRedirect=true*. See Regulation 2868/95 r.4: the number of classes in which the goods and services covered are included determines the registration fee, *https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/law_and_practice/ctm_legal_basis/2868_codified_en*. Under the Madrid system, a supplementary fee needs to be paid, beyond three classes: WIPO, *Schedule of Fees prescribed by the Common Regulations under the Madrid Agreement and the Madrid Protocol*, in force on 1 September 2008, *http://www.wipo.int/madrid/en/fees/sched.html* [All accessed 29 August 2016].
[26] Opinion of A.G. Sharpston *Intel Corp Inc v CPM United Kingdom Ltd* (C-252/07) [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [8.]

migration from the brand identity of the senior trade mark user to a market identity which would ultimately lead to genericide.[27]

The doctrine of specificity seems incompatible to a world in which the fame and reputations of undertakings are dynamic, as are their activities. In the Netherlands for example three proprietors share the identical trade mark AJAX: Amsterdam Football Club, listed at the Amsterdam Stock Exchange; a manufacturer of fire extinguishers; and a manufacturer of detergents. If the proprietor of the trade mark AJAX that earned a reputation for fire extinguishers decided to become active in the field of detergents, it would lead to a conflict with the proprietor of the trade mark which designates detergents. The question is whose right should prevail: the proprietor of a trade mark with a reputation that deserves to leverage his reputation by using that trade mark in the new market, or the proprietor of the incumbent trade mark who needs to be protected against unfair competition? Globalisation[28] and the internet have made this question more urgent than ever before. These two interests can be reconciled by gradually decoupling the trade mark from goods or services from the moment of registration. The International Classification of the Figurative Elements of Marks under the Vienna Agreement (Vienna Classification)[29] can be used to facilitate the clearance of unique trade mark logos. The databases of trade mark offices around the world are in the process of being combined, at least regionally, and the next logical step would be to only allow internationally unique trade mark logos for registration.

Coupling the extension of trade mark use to protection against confusion, dilution and free-riding

The conflicts that could occur between proprietors that would like to extend the use of their trade mark into other classes of goods and services and incumbent trade marks could be avoided if a standard for distinctiveness were to be implemented which focuses on the uniqueness of the trade mark. Because of path dependency and the entrenched doctrine of specificity, trade mark names do not have to be unique as long as they are active in different classes of goods and services,[30] with all the consequences of conflict. In recent case law, US and EU courts have taken into account whether similar trade mark names for identical or similar classes of goods and services had distinctive trade mark logos. This article would like to extrapolate from this development and proposes a paradigm shift: to register only unique trade mark logos, regardless of their class of goods and services, thereby preventing confusion, dilution and free-riding and harnessing fair competition in the process. In short: everyone is free to compete as long as they are using a different trade mark logo.

If proprietors would like to benefit from global commercial opportunities and extend the use of their trade marks to foreign markets, they have to register their trade marks in the countries or regional structures that cover these markets. Only then they are protected against confusion and dilution according to the legislation in the respective jurisdictions. If they do not register their rights directly they have to rely on the right of priority[31] and the well-known mark doctrine to avert the use or registration of identical or similar trade marks. Although the US is a contracting party of both the Paris Convention[32] and TRIPS,[33] the courts are split on the applicability of the well-known marks doctrine in the US.[34]

Decoupling protection against dilution from fame or reputation

This section first explores the ambiguity towards the scope of what constitutes sufficient fame in the US or reputation in the EU in regard to trade marks. Then it investigates the problems with fame and reputation, which are both dynamic and relative terms.

[27] H. Hovenkamp, "Response: Markets in IP and Antitrust" (2012) 100(6) Geo. L. Rev. 2133, 2144.

[28] In *Lincoln Restaurant v Wolfies Restaurant*, a case about two seemingly separate markets, a famous restaurant from Miami Beach, Florida, sued a company for using the identical name in Brooklyn, New York. The judge found that there was unfair competition, because many people from Brooklyn frequented Miami and patronised the restaurants there. See *Lincoln Restaurant Corp v Wolfies Restaurant Inc* 291 F. 2d 302, 303 (2d Cir. 1961).

[29] International Classification of the Figurative Elements of Marks under the Vienna Agreement (Vienna Classification).

[30] Or in some good faith cases such as honest concurrent use in separate, geographically limited locations, regardless of whether the senior user had registered a mark prior to the junior user's use of the mark, restricting the rights of the good faith junior user only when there is actual marketplace conflict between the marks. See *Dawn Donut Co v Hart's Food Stores Inc* 267 F. 2d 358, 360 (2d Cir. 1959).

[31] The first-to-use system of the US places foreign companies that would like to register a trade mark in the US in a disadvantageous position, because trade mark rights cannot be acquired by use outside the US. According to Professor Graeme Dinwoodie, the junior user of the trade mark "will be afforded substantial latitude before it risks losing a priority contest with the foreign user". The senior user will prevail if he can satisfy strict requirements of good faith, remoteness and use prior to federal registration. See Dinwoodie, "Trademarks and territory" (2004) 41(3) Houston L. Rev. 885, 969.

[32] The US has ratified the Hague Act of 1925 where art.6bis was introduced into the Paris Convention, and later revisions of the Paris Convention. One problem with art.6bis Paris Convention, however, is that the provision is not self-executing and thus needs enactment to give full effect to the doctrine. See G.H.C. Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property as Revised at Stockholm in 1967*, BIRPI (WIPO, reprinted 2007), pp.13, 15 and 89. The Lanham Act does not explicitly refer to art.6bis Paris Convention, but, as Brandon Baker points out, s.44(b), (h) and (i) strive to give full effect to the provisions of international conventions to afford foreign nationals protection from unfair competition. See Brandon Barker, "The Power of the Well-Known Trademark: Courts Should Consider Article 6bis of the Paris Convention an Integrated Part of Section 44 of the Lanham Act" (2006) 81 Wash. L. Rev. 363, 364.

[33] As mentioned above, art.16(3) TRIPS ensures that the protection of well-known marks of art.6bis Paris Convention is extended to dissimilar goods and, in conjunction with art.16(2), also to service marks.

[34] The Ninth Circuit held that an exception needs to be applied for foreign proprietors of well-known marks so that they can achieve priority in a mark in the US even without "earlier use of a mark in commerce" in the US, where "a substantial percentage of consumers in the relevant American market is familiar with the foreign mark". See *Grupo Gigante SA De CV v Dallo & Co* 391 F. 3d 1088, 1093 and 1098 (9th Cir. 2004). In contrast, the Second Circuit applied a higher threshold before they considered applying the famous mark/well-known marks doctrine: the court agreed with the New York Court of Appeals' conclusion that more than copying is necessary for a famous foreign mark holder to pursue a state law claim for unfair competition, and that a "foreign holder must further offer evidence that the defendant's potential customers 'primarily associate' the mark with the foreign holder": *ITC Ltd v Punchgini Inc* 482 F. 3d 135 (2d Cir. 2007).

Prerequisite of trade mark dilution—fame (US) or reputation (EU)

In the US, as of the TDRA of 2006, a famous trade mark must be "widely recognized by the general consuming public of the United States".[35] However, the TDRA includes a sentence about the geographic reach of advertising and publicity of the mark,[36] and one on the geographic extent of sales of goods or services offered under the mark.[37] This suggests that there is a possibility that fame can be geographically limited and that therefore nationwide fame is not necessary.[38]

In the EU, the same ambiguity towards the scope of sufficient reputation can be observed: the CJEU in *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH*[39] explained that a Community trade mark must be known by a significant part of the public concerned by the goods or services covered by that trade mark in a substantial part of the territory of the European Community and that the territory of one Member State of the EU may be considered such a substantial part.[40] The OHIM Manual Concerning Opposition confirmed that

> "the limited size of the relevant market should not be regarded in itself as a factor capable of preventing a mark from acquiring a reputation within the meaning of Article 8(5) [Community Trademark Regulation], as reputation is more a question of proportions and less of absolute numbers".[41]

It continued that

> "as the economic value of reputation is also the protected subject-matter of this provision, any qualitative aspects thereof are of relevance when assessing the possibility of detriment or unfair advantage".[42]

Although the EU trade mark system seems to have a broader eligibility for dilution protection than that of the US trade mark system, the two legal systems lead de facto to similar outcomes.[43] The US trade mark system compensates its narrower eligibility for dilution protection with a broader protection for trade mark infringement, using the likelihood of confusion doctrine.[44]

Problems with fame and reputation as prerequisites

One can criticise the rationale of why the extended protection against trade mark dilution is exclusively granted to famous trade marks in the US (below, where one reads "famous trade mark" for the US, one must also read "trade marks with a reputation" for the EU). One can argue that famous trade marks are more vulnerable than less famous trade marks, because of their increased commercial magnetism. Or, one can argue that famous trade marks have more means to defend themselves, legally or via marketing, and are therefore resilient enough to ward off actions by third parties that might harm the value of their trade mark. Which argument is more reasonable remains unanswered in this article. Instead, it contends that fame should be looked at in a dynamic and relativist way: trade marks that are deemed not sufficiently famous now can be so in the future; trade marks might already be famous within a niche market. Moreover, to deny a proprietor of a non-famous trade mark of protection against dilution by tarnishment, including pre-emptively targeting competing trade marks that might form a risk for the incumbent famous trade mark in the future, seems unjustifiable.

Besides these theoretical problems, it can be difficult for proprietors of trade marks to prove that their trade mark meets the minimum requirement for fame. One can distinguish direct evidence, derived from testing members of the relevant population via consumer surveys, and indirect evidence, which relies upon indications such as sales figures and advertising expenditures over an extended period of time and the frequency with which the mark has been mentioned in the press.[45] In 1999, Judge Leval qualified consumer surveys in *Nabisco Inc v PF Brands Inc* as "expensive, time-consuming and not immune to manipulation".[46] The same can be said of indirect evidence. Since implementation of the TDRA in 2006, the need to prove actual dilution was replaced with a need to prove a likelihood of dilution. However, as the case law in the next section will demonstrate, it has not necessarily become much easier for proprietors to prove trade mark dilution.

[35] 15 USC §1125(c)(2)(A).
[36] 15 USC §1125(c)(2)(A)(i).
[37] 15 USC §1125(c)(2)(A)(ii).
[38] Jacob Jacoby, "Considering the Who, What, When, Where and How of Measuring Dilution" (2008) 4 Santa Clara Computer & High Tech. L.J. 601, 606.
[39] *PAGO International GmbH v Tirolmilch registrierte Genossenschaft mbH* (C-301/07) [2009] E.C.R. I-9429; [2010] E.T.M.R. 5.
[40] *PAGO International* [2009] E.C.R. I-9429; [2010] E.T.M.R. 5 at [30].
[41] OHIM Manual Concerning Opposition — Part 5, art.8(5) Community Trademark Regulation, p.11.
[42] OHIM Manual Concerning Opposition — Part 5, art.8(5) Community Trademark Regulation, p.10.
[43] Marcus Luepke, "Taking Unfair Advantage or Diluting a Famous Mark—A 20/20 Perspective on the Blurred Differences between U.S. and E.U. Dilution Law", Trade Mark Reporter (13 June 2008), *http://www.inta.org/TMR/Pages/vol98_no3_a3.aspx* [Accessed 29 August 2016].
[44] Luepke, "Taking Unfair Advantage or Diluting a Famous Mark", Trade Mark Reporter (13 June 2008), *http://www.inta.org/TMR/Pages/vol98_no3_a3.aspx* [Accessed 29 August 2016].
[45] Jacoby, "Considering the Who, What, When, Where and How of Measuring Dilution" (2008) 4 Santa Clara Computer & High Tech. L.J. 601, 604.
[46] *Nabisco Inc v PF Brands Inc* 191 F. 3d 208, 224 (2d Cir. 1999). Goldman argued that consumer surveys might provide false representation of reality: "A survey, by inviting a respondent to think carefully about a mark, also may underestimate the amount of blurring that actually occurs in the marketplace, where consumers often are not quite so thoughtful." See Lee Goldman, "Proving Dilution" (2004) 58 U. Miami L. Rev. 569, 591.

Legislation, case law and the standard for likelihood of dilution

It is well established that

> "although the trademark is an essential element in the system of undistorted competition its purpose is not, however, to protect its proprietor against practices inherent in competition".[47]

The question, then, is what should be the scope of the "practices inherent in competition" in comparison with the protection against trade mark dilution? Recent case law in the US and EU foreshadows a shift to a less generous and narrower interpretation of protection against trade mark dilution. This shift to raise the standard for the likelihood of dilution seems to be motivated, erroneously, by pro-competition policy choices. The relevant legislation and case law between similar trade marks designating similar or identical goods will be explored: the low level of trade mark protection for national brands in relation to store brands, and for famous trade marks such as STARBUCKS in the US and RED BULL in the EU in relation to direct competitors.

US legislation

In 2003 in *Moseley v V. Secret Catalogue*, the Supreme Court held that proof of actual dilution was required. However, recognising the possible problems with proving actual dilution, the Supreme Court held that such direct evidence "will not be necessary if actual dilution can reliably be proved through circumstantial evidence". In *Ty Inc v Softbelly's Inc*, Judge Posner pointed out that no one knew what this circumstantial evidence was.[48] In 2006 Congress passed the TDRA so that proof of actual dilution was no longer required. Instead the proprietor of a famous trade mark is entitled to injunctive relief against uses of the mark that are likely to cause dilution.[49] The six non-exclusionary TDRA factors with regard to what could constitute trade mark dilution by blurring are[50]:

1. the degree of similarity between the mark or trade name and the famous mark;
2. the degree of inherent or acquired distinctiveness of the famous mark;
3. the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark;
4. the degree of recognition of the famous mark;
5. whether the user of the mark or trade name intended to create an association with the famous mark;
6. any actual association between the mark or trade name and the famous mark.

Store brands

Retailers, often proprietors of famous trade marks in their own right, that extend their trade mark upstream by launching a store brand, are not per se improving competition. A store brand, also called private label, own brand or house brand, claims or provides an equivalent quality for lower prices than nationally advertised brands. These store brands are often manufactured by national brands. Because of the asymmetric market power relation between retailers and proprietors of famous trade marks, the latter sometimes have to tolerate that the trade dress of their famous trade mark is diluted or infringed. The introduction of store brands can be in the interest of both the manufacturer and retailer, as store brands are a way of discriminating between different consumers based on price. However, empirical research has shown that store brands often did not lead to a lower average category price, because the retailer no longer offered generic goods, delisted weaker national brands and provided only advertised national brands, plus their store brand.[51] Because store brands have often led to a concentration of products, less incentive to innovate the trade dress, and higher prices, one cannot conclude by definition that they are good for consumer welfare, innovation or fair competition.

The Third Circuit in *McNeil Nutritionals LLC v Heartland Sweeteners LLC* pointed out that there is the danger that store brands are held to a lower standard of infringing behaviour. The same can be said in case of trade mark dilution. Therefore it is in the interest of fair competition that the distinctiveness of the trade dress of the store brand is sufficient. If that distance between the trade dress of the national brand and store brand is not big enough,[52] it could lead to confusion, dilution and free-riding.

Starbucks

The area of commerce between Starbucks and Black Bear, both manufacturing and selling coffee, is identical. In the absence of a gap there is no need to consider the likelihood that either one of them would bridge it.[53] After the TDRA went into effect, the Second Circuit applied in *Starbucks Corp LLC v Wolfe's Borough Coffee Inc* (*Starbucks IV*)[54] a higher standard for a likelihood of

[47] *Interflora v Marks & Spencer* EU:C:2011:173 at [57].
[48] *Ty Inc v Softbelly's Inc* 353 F. 3d 528 (7th Cir. 2003).
[49] 15 USC §1125(c)(1).
[50] 15 USC § 1125(c)(2)(B).
[51] David A. Soberman and Philip M. Parker, "The economics of quality-equivalent store brands" (2006) 23 Intern. J. of Research in Marketing 125, 126.
[52] The Third Circuit clarified that store brands "cannot copy national brands to such a degree of similarity, then merely affix a tiny differentiating label, as to become entirely immune to infringement actions". See *McNeil Nutritionals LLC v Heartland Sweeteners LLC* 511 F. 3d 350, 368–369 (3d Cir. 2007).
[53] *Nabisco v PF Brands* 191 F. 3d 208, 219 (2d Cir. 1999).
[54] *Starbucks Corp LLC v Wolfe's Borough Coffee Inc* 588 F. 3d 97 (2nd Cir. 2009) (*Starbucks IV*).

dilution: the proprietor of a famous trade mark was held to a substantial similarity standard to qualify for trade mark dilution which goes arguably further than the likelihood of dilution standard[55] of the statutory provision since the TDRA. This suggests that if there is no substantial similarity, even though there were other factors that favour a finding of blurring, even a famous trade mark should tolerate the use of a similar trade mark by a direct competitor. Instead the intentional association of Mr Charbucks with Starbucks was ignored, and Starbucks had to prove Black Bear's bad faith intent for an unlawful association in order to prove dilution. One can argue that the link between Mr Charbucks and Starbucks can lead to unsavoury mental associations for the famous trade mark. However, no dilution by tarnishment was accepted by the Second Circuit. Even though one can argue that the likelihood of dilution by blurring has been met, the court argued that because the survey did not take into account the "Mr" in "Mr Charbucks" so that no substantial similarity could be determined. The co-existence of the STARBUCKS mark and CHARBUCKS BLEND and MR CHARBUCKS marks for 11 years with no report of a single customer becoming confused, and $7,000 annual sales in the Charbucks line of coffee, might be indicators that there is no confusion or likelihood of confusion as Black Bear observed,[56] but it does not say much about a likelihood of dilution.

EU legislation and case law

Article 5(2) of the Trademark Directive[57] and art.9(1)(c) of the Community Trade Mark Regulation[58] provide proprietors of trade marks with a reputation a protection against dilution by blurring ("detrimental to the distinctive character of the trade mark"), tarnishment ("detrimental to the repute of the trade mark" and free-riding ("unfair advantage of the distinctive character or the repute of the trade mark").[59]

Intel Corp

A.G. Sharpston in *Intel Corp* put it graphically when she said that "around each trade mark there is an 'exclusion zone' which other marks may not enter".[60] She continued:

> "An identical or extremely similar mark must be kept at a greater distance in terms of the goods or services covered. Conversely, a mark used for identical or extremely similar products must be kept at a greater distance in terms of similarity with the protected mark."[61]

The CJEU in *Intel Corp* held that the existence of a link in the mind of the public between a senior trade mark and a junior mark[62] is not enough to establish that there is dilution by blurring, tarnishment or free-riding.[63] What is sufficient to prove dilution is evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark.[64] To prove free-riding one should be able to show unfair advantage, a boosting or enhancing effect on the later mark.[65] The existence of such injury must be assessed by reference to average consumers of the goods or services for which the later mark is registered, who are reasonably well informed and reasonably observant and circumspect.[66] However, another possibility is that the proprietor of the earlier mark does not demonstrate actual and present injury to its mark, but proves that there is a serious risk that such an injury will occur in the future.[67]

In *Intel Corp* a non-exhaustive list of factors for trade mark dilution was provided[68]:

- 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;
- 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.

[55] INTA Amicus Curiae, *Starbucks Corp LLC v Wolfe's Borough Coffee Inc* (08-3331-cv), 26 September 2008.
[56] *Starbucks v Wolfe's Borough Coffee* 588 F. 3d 97, 118 (2nd Cir. 2009).
[57] See fn.22.
[58] See fn.23.
[59] Trademark Directive art.5(2): "[T]he 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."
[60] Opinion of A.G. Sharpston in *Intel Corp* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [6].
[61] Opinion of A.G. Sharpston in *Intel Corp* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [6].
[62] A link with a certain degree of visual, aural or conceptual similarity between the mark with a reputation and the sign, even without confusion. The link should be appreciated globally, taking into account all factors relevant to the circumstances of the case. See *Adidas-Salomon AG v Fitnessworld Trading Ltd (Adidas I)* (C-408/01) [2003] E.C.R. I-12537; [2004] 1 C.M.L.R. 14 at [27]–[30].
[63] *Intel Corp v CPM* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [32].
[64] *Intel Corp v CPM* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [77].
[65] Opinion of A.G. Sharpston in *Intel Corp* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [67].
[66] *Intel Corp v CPM* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [36].
[67] *Intel Corp v CPM* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [38].
[68] *Intel Corp v CPM* [2008] E.C.R. I-8823; [2009] E.T.M.R. 13 at [42].

Red Bull

Red Bull registered the Benelux word and figurative trade mark RED BULL KRATING-DAENG on 11 July 1983 in, inter alia, class 32 for non-alcoholic drinks. Mr de Vries registered the word and figurative mark THE BULLDOG, on 14 July 1983 for the same class 32, but he did not use the trade mark for energy drinks. A.G. Kokott contended that THE BULLDOG had been used since 1975 inter alia for so-called coffee shops, places where one can buy soft drugs,[69] but also for cafés, a hotel and a bicycle-hire business in Amsterdam.[70] The District Court and Court of Appeal did not adequately assess the level of similarity, according to A.G. Kokott.[71] The Dutch Supreme Court referred the question to what extent prior use of THE BULLDOG sign constitutes due cause for the CJEU. The CJEU interprets "due cause" in such a way that the proprietor of a trade mark with a reputation has to tolerate the use by a third party of a sign similar to that mark in relation to a product which is identical to that for which that mark was registered, if it is demonstrated that that sign was being used before that mark was filed and that the use of that sign in relation to the identical product is in good faith.[72]

Mr de Vries had used THE BULLDOG in relation to hotel, restaurant and café goods and services which include the sale of drinks. Because the sign of THE BULLDOG enjoyed recognition among the relevant public and for the nature of the goods and services for which it has been used,

> "the sale of energy drinks contained in packaging which displays that sign may therefore be perceived, not as an attempt to take advantage of the repute of the mark 'Red Bull', but rather as a genuine extension of the range of goods and services offered by Mr De Vries".[73]

However, the Advocate General determined that it was only when RED BULL had become a trade mark with a reputation in the Benelux countries in 1997 that Mr de Vries started to use THE BULLDOG for energy drinks.[74] On 15 June 2000, Mr de Vries registered the word and figurative mark THE BULLDOG ENERGY DRINK.[75]

Conclusions

The gradual decoupling of the trade mark from goods or services

Allowing competitors to use a similar trade mark for a similar or identical good or service can lead to adverse effects on competition (likelihood of confusion, dilution or free-riding), and only provides a premium for a lack of creativity.

The specificity doctrine is not compatible with globalisation, the internet and proprietors of trade marks that would like to extend the use of the trade mark into unrelated markets. Recent case law demonstrates that courts no longer protect famous trade marks as generously as before, and are deferent to competing proprietors of a similar trade mark if the trade mark logo is sufficiently different from the famous trade mark logo.

Therefore, the uniqueness of trade mark logos, using the Vienna Classification system, could help avoid involuntary co-existences between similar trade marks and clashes when proprietors would like to extend the use of their trade mark into other unrelated markets.

Coupling the extension of trade mark use to protection against confusion, dilution and free-riding

As can be seen in the *Starbucks* and *Red Bull* cases, when assessing the similarity between the sign and the trade mark in an infringement context, courts look to the overall impression created by trade mark logos and the context in which they are found, and consider the totality of factors that could cause confusion among prospective purchasers.[76]

Even though famous trade marks designate some selected classes for goods or services, de facto all classes of goods and services are in principle reserved for possible famous trade marks' activities. This means that proprietors of famous trade marks should be able to prohibit other proprietors from using similar or identical trade marks, avoiding dilution by blurring, tarnishment and unfair competition, and, on the other side of the coin, enabling themselves to extend the use of their trade mark to other goods and services, leveraging their fame and reputation to new product categories, thereby increasing fair competition. Case law demonstrates that this is more challenging for famous trade marks than ever before.

[69] Red Bull did not claim detriment to the repute of the mark, because of the possible association with soft drugs.
[70] Opinion of A.G. Kokott in *Leidseplein Beheer BV v Red Bull GmbH* (C-65/12) EU:C:2013:196 at [7].
[71] Opinion of A.G. Kokott in *Red Bull* EU:C:2013:196 at [10].
[72] *Leidseplein Beheer BV v Red Bull GmbH* (C-65/12) EU:C:2014:49; [2014] E.T.M.R. 24 at [60].
[73] *Red Bull* EU:C:2014:49; [2014] E.T.M.R. 24 at [58].
[74] Opinion of A.G. Kokott in *Red Bull* EU:C:2013:196 at [7].
[75] *Red Bull* EU:C:2014:49; [2014] E.T.M.R. 24 at [7].
[76] *Starbucks* 588 F. 3d 97, 106 (2nd Cir. 2009).

Decoupling the protection against dilution from fame or reputation

Fame or reputation are useful criteria as a way to determine which a trade mark deserves the extended protection against trade mark dilution. Proprietors of trade marks can be on their way to fame or reputation, or can be qualified as such within a niche market, but under the standards set out under the TDRA, Trade Mark Directive or Community Trade Mark Regulation. Since both are dynamic and relativist terms, it would be better to expand trade mark protection against trade mark dilution by blurring, tarnishment and free-riding.