Protecting Famous Trademarks: Comparative Analysis of US and EU Diverging Approaches -- The Battle Between Legislatures and the Judiciary. Who is the Ultimate Judge?

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Introduction – Valuing Brands as Assets

Interbrand’s¹ annual Best Brands Report generates increasing amounts of interest from companies and practitioners associated with brands by listing the 100 most valuable brands worldwide. The accumulated estimated value of the four top-ranking brands for 2008 (comprising Coca-Cola, IBM, Microsoft, and General Electrics)² amounted approximately to $240 billion, exceeding by $90 billion the accumulated estimated fortune (net worth) of the four richest people in the world.³ These four brands are famous trademarks recognized by people all around the world, since the respective goods and services that are identified by them are distributed throughout the world.

As an intangible asset, the economic potential of trademarks⁴ used to be underestimated. Until recently, trademarks were not even included in the corporations’ annual financial statements. Indeed, it was the British firm Rank Hovis McDougall (RHM) in 1988 that became the first listed company to show non-acquired brands as assets on its balance sheet.⁵ RHM used this innovative accounting technique in an attempt to defend itself from an offensive takeover bid, since at the time other “brand rich companies” seemed to be acquired at grossly undervalued prices. As a result of the brand valuation exercise, RHM valued its brands at £678 million, while its tangible assets amounted to less than £400 million.⁶ In general, brand valuation occurred

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¹ Interbrand is worldwide one of the most famous branding consultancy firms, originally focusing on naming consultancy, but now expanded and developed into a full-service branding consultancy with 40 offices in 25 countries leading to the development of brand valuation.
⁴ “Trademarks” are legally protectable entities, either through registration or by actual/genuine use in the market under the unfair competition provisions (what is known in the anglo-saxon legal system as the common law of passing off) STEPHEN ELIAS AND RICHARD STIM, PATENT, COPYRIGHT AND TRADEMARK, AN INTELLECTUAL PROPERTY DESK REFERENCE 390–393 (7th ed. 2004). For the purposes of this paper, trademarks and service marks will be both referred to as “trademarks”.
⁵ DAVID HAIGH, BRAND VALUATION: UNDERSTANDING, EXPLOITING AND COMMUNICATING BRAND VALUES 1 (1998,). Nevertheless, other commentators suggest that the trend to acquire companies with strong brands, “where the value was ‘hidden’ or ‘not reflected in their stock market valuations’” originated earlier in the United States with the acquisition of Braun by Gillette in 1967, Michael Stirling, Extracting Value: Have the “Hidden Jewels” of European Business Finally Been Uncovered?, TRADE MARK WORLD, October 2004,32-.
⁶ The take-over bid was eventually averted. HAIGH, supra note 5, at 49.
during the late 1980s, when there was an enormous increase in mergers and acquisitions which put a premium on the value of intangible assets (most notably trademarks) and led to a sharp divergence between the share value of the acquired companies and their book values.\footnote{Jan Lindemann, \textit{The Financial Value of Brands}, in \textit{Brands and Branding}, 29 (Rita Clifton & John Simmons, eds., 2003.).}

This paper is confined to the examination of the extra scope of protection afforded to famous trademarks. Underlying this privileged treatment of famous trademarks is the acknowledgement that some brands have acquired an extra market value. Such value exceeds the one directly associated with the legally protected entity of a trademark that by law is directly associated with particular goods or services.\footnote{For an analytic and detailed discussion of this underlying notion see Jennifer Davis, \textit{The value of trade marks: economic assets and cultural icons}, in Y.Gendreau, \textit{Intellectual Property: Bridging Aesthetics and Economics}, Editions Themis, University of Montreal, 2006, available online at: www.atrip.org/upload/files/activities/montreal2005/Davis%20Brandvalue.doc} A trademark’s main legal function is to serve as an indicator of origin, thus distinguishing the products or services of one manufacturer, merchant, or service provider from those of another entity.\footnote{ELIAS E. TALBOT CHAMBERS ET AL., supra note 4, at 391.} Accordingly, a trademark performs an indirect function as a guarantee of quality.\footnote{Under well established case-law of the European Court of Justice (hereinafter, ‘ECJ”) “the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin, and for the trade mark to be able to fulfill its essential role ....... it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality” C-299/99, Philips, 06.18.2002, par. 30.} But famous trademarks’ dynamic extends beyond the value of the products or services with which they are primarily associated because they might acquire secondary connotations in the mind of the consumer, transferring “loyalty between products, services and categories over time and to separate it from tangible production.”\footnote{Trademark Dilution Revision Act of 2006, H.R. 683 109th Cong. § 2 (2006) (amending Section 43 of the Trademark Act of 1946 (15 U.S.C. § 1125).} Due to the ability to franchise and license brands, famous trademarks have been largely recognized as the most powerful and productive assets owned by modern businesses.

The standard criterion, upon the application of which protection is granted to trademarks through an infringement, is the legal concept of “likelihood of confusion” of the average consumer in the relevant market. Under U.S. case law (\textit{In re E.I. DuPont DeNemours & Co})\footnote{476 F.2d 1357 (CCPA 1973), available online at: http://home.att.net/~jmytndall/ustm/476f2d1357.htm.} the confusion factors considered are, \textit{inter alia}, the similarity of the marks, the similarity of the goods, the degree of care exercised by the consumer when purchasing, the intent of the person using the similar mark, as well as any actual confusion that has occurred.\footnote{Similar criteria have been established under the jurisprudence of ECJ, see, \textit{inter alia},Marca Mode v. Adidas, 2000 E.C.R. I-4861 (2000); Canon Kabushiki Kaisha v. Metro-Goldwyn Mayer Inc., 1998 E.C.R. I-5507 (1998).}

However, when it comes to famous trademarks, the standard for protection is no longer the hard-to-prove “likelihood of confusion,” but “likelihood of dilution.” Under the currently applicable provisions of the Trademark Dilution Revision Act of 2006 (“TDRA”), famous trademarks are protected in a broader manner against any kind of use that may blur their distinctiveness or tarnish their reputation.\footnote{Trademark Dilution Revision Act of 2006, H.R. 683 109th Cong. § 2 (2006) (amending Section 43 of the Trademark Act of 1946 (15 U.S.C. § 1125).} Nevertheless, proving a mark is famous requires

\begin{itemize}
  \item Jan Lindemann, \textit{The Financial Value of Brands}, in \textit{Brands and Branding}, 29 (Rita Clifton & John Simmons, eds., 2003.).
  \item ELIAS E. TALBOT CHAMBERS ET AL., supra note 4, at 391.
  \item Under well established case-law of the European Court of Justice (hereinafter, ‘ECJ”) “the essential function of a trade mark is to guarantee the identity of the origin of the marked product to the consumer or end-user by enabling him, without any possibility of confusion, to distinguish the product or service from others which have another origin, and for the trade mark to be able to fulfill its essential role ....... it must offer a guarantee that all the goods or services bearing it have originated under the control of a single undertaking which is responsible for their quality” C-299/99, Philips, 06.18.2002, par. 30.
\end{itemize}
more evidence than commonly used to show trademark strength and distinctiveness capable of creating “likelihood of confusion”, since Courts tend to demand proof that the mark has been heavily advertised or has gained widespread acceptance within its channels of trade. A number of judicially and statutorily established factors may determine whether a mark has acquired the necessary degree of reputation to be afforded an extra scope of protection, including the distinctiveness of the mark, the duration and extent of use of the mark, the duration and extent of advertising and publicity of the mark, the geographical extent of the trading area in which the mark is used, the channels of trade for the goods or services with which the mark is used, the degree of recognition of the mark in both parties’ trading areas and channels of trade, the nature and extent of use of the same or similar marks by third parties, and whether the senior user’s mark is registered.\footnote{ELIAS ET AL., supra note 4, at 429.}

The notion of “dilution” was first articulated by Schechter,\footnote{Frank I. Schechter, The rational basis of trademark protection, \textit{40 Harv. L. Rev.} 813--., (1927).} who advocated protection against injury to a trademark owner beyond the injury caused by use of an identical or similar mark in relation to identical or similar goods or services, causing confusion as to their origin. Schechter described this type of injury as the “\textit{gradual whittling away or dispersion of the identity and hold upon the public mind}” of certain marks, although only arbitrary, coined, or fanciful marks should benefit from such protection. In this classic sense, the essence of dilution is that the blurring of the distinctiveness of the mark means that it may no longer be capable of arousing immediate association with the goods for which it is registered and used. As Schechter said “\textit{for instance, if you allow Rolls Royce restaurants and Rolls Royce cafeterias, and Rolls Royce pants, and Rolls Royce candy, in 10 years you will not have the Rolls Royce mark any more.}”\footnote{ECJ, Opinion of Advocate General Jacobs, 10 July 2003 on C-308/01, Adidas-Salomon, paragraph 37.}

An analogous approach is followed by the European Union law on trademarks\footnote{At this point we consider useful to highlight EU’s legal framework for trademarks that is two-pronged. On one hand, we have Council Regulation (EC) No 207/2009 of 26 February 2009, 2009 O.J. (L 78) (2009), by means of which a right to a uniform Community trademark producing its effects throughout the entire area of the Community is established (‘principle of the unitary character of the Community trademark’). On the other hand, we have Directive 89/104/EEC of 21 December 1988 on the approximation of the laws of the Member States relating to national trade marks that are confined in their extent to the territory of the respective State (‘principle of territoriality’). 1989 O.J. (L 40) (1989). Both the Directive and the Regulation recognize the extra scope of protection afforded to famous trademarks and regulate both systems in an essentially similar manner, while the relevant ECJ jurisprudence has interpreted and applied the provisions of both the Regulation and the Directive in a uniform manner as regards the substance of the notions of reputation and likelihood of confusion. Therefore, when we shall refer in this paper to the ECJ jurisprudence, it must be assumed that the Court applies the same formulation to both Community and national trademarks.} that affords extra protection to trademarks that have a reputation in a concerned Member State or in the entire Community and “\textit{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 trade mark.}”\footnote{Article 4, 3(a) of Directive 89/104/EEC and Article 8, 5 of Council Regulation (EC) No 207/2009.} The degree of reputation required for the extra scope of protection must be considered to be reached when the earlier mark is known by a significant part of the public concerned by the products or services covered by that mark. Accordingly, depending on the product or service marketed, the concerned public either refers to the average consumer at large
or to a more specialized public, for example traders in a specific sector. This is a major difference from the current US approach, under which reputation must be established for general consuming public of the United States, thus making it more difficult for specialized products addressing concrete needs of a closed group of consumers to acquire fame. When the European Court of Justice ("ECJ") first dealt with the notion of the dilution, it referred to the U.S. jurisprudence and acknowledged the American origins of the notion. In particular, the ECJ has recognized that the U.S. courts have added richly to the lexicon of dilution, "describing it in terms of lessening, watering down, debilitating, weakening, undermining, blurring, eroding and insidious gnawing away at a trademark." The European law concept of taking unfair advantage of the distinctive character or repute of the mark, in contrast, must be intended to encompass "instances where there is clear exploitation and free-riding on the coattails of a famous mark or an attempt to trade upon its reputation."

After we briefly discuss the international legal standard for the protection of famous trademarks and the main principles it encompasses, we shall focus on the different approaches followed in the U.S. and E.U. legal systems. In particular, we will emphasize on the interactions between the two jurisprudences and the divergence that now exists following the U.S. Congress’ recent intervention. This legislative act lowered the high bar that was established by the Supreme Court for the protection of famous trademarks (requiring trademark owners only to show evidence of likelihood of dilution). On the other hand, following the recent decision of the ECJ on the Intel case, the European jurisprudence now follows a more restrictive approach on the scope of protection afforded to famous trademarks, asking for an actual dilution to have taken place.

I. **International Framework for Well-known and Famous Trademarks**

The legal protection of famous trademarks in the international level in a multilateral level is twofold: First, under the Paris Convention, an international treaty that establishes uniform criteria for the protection of industrial property among the signatory states. Second, under the Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS") which operates under the auspices of the World Trade Organization and sets minimum criteria for the protection of intellectual property.

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21 Supra note 18.
22 Opinion of Advocate General Jacobs, see above, paragraph 37.

9 Chi.-Kent J. Intell. Prop. 48
A. Paris Convention

The need to protect well-known trademarks over a broad range that goes beyond national borders was discussed by member countries of the Paris Convention in the early 1920s. As a result, the provision of Article 6bis of the Paris Convention pertaining to the protection of well-known trademarks was first incorporated in the Hague text of the Paris Convention in 1925.

The scope of application of this provision covers trademarks that are well-known in a particular country (no actual use of the mark is required in the country where protection is sought) in relation only to goods; it does not cover marks distinguishing services. There is no requirement of existence of registration in that country, since the original intention was to protect owners of unregistered marks that were widely known in the local marketplace against registration and use by third parties. The standard triggering the protection of well-known trademarks is "risk of confusion" with a later sign, but only when the latter sign is associated with products identical or similar to that of the well-known trademark. Moreover, the Paris Convention itself indicates no specific evaluation standards for determining which trademarks should be considered well-known.

Based on the above, many consider the provision of Article 6bis of the Paris Convention to be extremely insufficient in terms of current market trends. As a result, the World Intellectual Property Organization ("WIPO") has advocated the creation of a separate treaty pertaining to protection of well-known and famous trademarks. Presently, deliberations continue at the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications within WIPO. The most recent publicly-announced draft treaty includes in Article 3, inter alia, certain criteria for determining well-known trademarks. In particular, these criteria include the extent and duration of the use, registrations and advertising promotion of the mark on a global basis, the mark’s record of successful enforcement worldwide, and the mark’s financial value.

B. TRIPS Agreement

The TRIPS Agreement was negotiated and adopted within the framework of the General Agreement on Tariffs and Trade at the end of the Uruguay Round in 1994. TRIPS is administered by the World Trade Organization ("WTO") and sets down minimum standards for many forms of intellectual property. TRIPS was created based on an awareness of various serious problems involving trade and commerce, such as counterfeit goods and the lack of harmony between the

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27 The original version of the Treaty uses the French expression “notoirement connue”—literally “notorously known.”
30 WIPO is the specialized agency of the United Nations with a mandate to administer intellectual property matters including the Paris Convention.
legal systems of advanced and least-developed countries, as well as due to shortcomings in systems for protection and implementation of intellectual property rights.33

Article 16 (2) and (3) of TRIPS contains certain provisions on well-known marks, which supplement and broaden the scope of protection required by Article 6bis of the Paris Convention, as incorporate by reference into the TRIPS Agreement.34 In particular, TRIPS mandates that the provisions of that Article must be applied also to marks covering services. In addition, TRIPS requires that knowledge is established in the relevant sector of the public (users and traders) for the purposes of determining well-known marks35 and such knowledge can be created may be acquired not only as a result of the use of the mark, but also by other means, including the extent of the mark’s promotion.36 Furthermore, under TRIPS, the protection of registered well-known marks extends to goods or services which are not similar to those in respect of which the trademark has been registered under two conditions: (i) the trademark’s use should indicate a correlation between those goods or services and the owner of the registered trademark, and (ii) the interests of the owner are likely to be damaged by such use. This final provision actually introduces the concept of dilution in an international legal framework requiring states to protect well-known trademarks from the impairment of their goodwill and reputation. Nevertheless, there is still no requirement under TRIPS that a mark be in actual use. This means that there is no requirement for sales of the goods or provision of the services branded by the well-known trademark in the country where the infringing activity occurs.

Under article 2 of TRIPS, protection of trademark rights under the Paris Convention are extended to all WTO member-states. To this end, international protection of famous trademarks has been strengthened, even though TRIPS itself is not a self-executing treaty in most countries.37 This is so because the WTO mandates adherence and thus its power has been greatly expanded by worldwide compliance.38

II. The U.S. Approach

As mentioned above, protection of famous trademarks in the U.S. is centered round the comprehensively difficult notion of “trademark dilution.” As Frank Schechter recognized, anti-

33 Japan Patent Office, supra note 33, at 5.
34 Article 2 is titled “Intellectual Property Conventions” and provides that: “1. In respect of Parts II, III and IV of this Agreement, Members shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967); and 2. Nothing in Parts I to IV of this Agreement shall derogate from existing obligations that Members may have to each other under the Paris Convention, the Berne Convention, the Rome Convention and the Treaty on Intellectual Property in Respect of Integrated Circuits.” Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197(1994).
35 A plausible interpretation may require that the target audience-the relevant trade circles or the relevant class of consumers of the particular goods/services-has knowledge of the mark. To this end, the interested circles within which the particular goods/services are purchased and where the mark is exposed, should become the focus of the factual inquiry for determining the mark’s reputation. Mostert, supra note 31, at 118.
36 And to this extent, the TRIPS Agreement provide for a more convenient treatment of well-known trademarks than the US TDRA provides for famous marks, since the latter prerequisites that recognition has been established in the general public.
37 Mostert, see supra note 31, at 107.
38 Clark W Lackert and Maren C Perry, see above, pg. 2.
dilution protection entails a commitment to the “uniqueness” of the mark, to protecting the
degree to which the mark is “actually unique and different from other marks.”39 From a semiotics
point of view, while trademark infringement disturbs the source distinctiveness, trademark
dilution affects “the differential distinctiveness of a trademark signifier’s set of relations of
difference with all other signifiers in the trademark system.”40 In general, dilution amounts to the
lessening of the capacity of a famous mark to identify and distinguish goods or services,
regardless of the presence or absence of competition between the owner of the famous mark and
other parties, or likelihood of confusion, mistake, or deception.41

Until 1996 there was no federal law against trademark dilution and, at the same time,
only about half the states provided redress in terms of an injunction against further use of the
mark. In January 1996, however, the Federal Trademark Dilution Act (“FTDA”) was added to
the Lanham Act.42 Thereinafter, the development of federal trademark dilution law has been
characterized by the relative balance of power between Congress and the courts, as these two
bodies have expanded and contracted the scope of protection for famous marks. This interaction
between the Congress and the courts can be summarized as follows: “what Congress giveth, the
courts taketh away – and Congress restoreth, at least in part. Congress also codified some of the
courts’ attempts to limit the reach of federal dilution law, such as eliminating from the ambit of
the statute marks that had achieved fame only in a niche market.”43

A. The Federal Trademark Dilution Act

The Lanham Act originally followed the consumer protection model of trademark rights
consistently, prohibiting the use of a trademark “where such use is likely to cause confusion, or
to cause mistake, or to deceive”44 and courts interpreted the Act likewise.45 Under the FTDA,
however, use of a mark that diluted the distinctiveness of a famous mark, even in the absence of
a likelihood of consumer confusion, was prohibited. As a result, a famous mark could be
protected against trademark dilution if a similar mark was used to identify completely unrelated
goods. Accordingly, the FTDA made an important twofold introduction: (i) an important
expansion in the power of trademark protection for holders of famous marks, and (ii) the
potential to capture revenue from the use of the mark in an expansion into a new market. Similar
to the state dilution statutes, FTDA provides primarily for injunctive relief (a court order
requiring the infringing party to stop using the mark). In addition, FTDA provides if the famous
mark’s owner can prove the infringer “wilfully intended to trade on the owner’s reputation or to

39 Schechter, see supra note 20, at 818.
40 Barton Bebe, The semiotic account of trademark doctrine and trademark culture, in Trademark Law and Theory,
41 15 U.S.C. § 1127 (2000). The statutory definition of dilution has been mended through with the introduction of
TDRA in 2006.
42 The Lanham Act is found in Title 15 of the U.S. Code and contains the federal statutes governing trademark law
in the United States. However, this act is not the exclusive law governing U.S. trademark law, since both common
law and state statutes also control some aspects of trademark protection.
43 Clarisa Long, The Political Economy of Trademark Dilution, in TRADEMARK LAW AND THEORY: A HANDBOOK OF
CONTEMPORARY RESEARCH, see supra, note 43, at 134.
45 “The Lanham Act rejects the dilution doctrine as a basis of relief in trademark cases in placing the burden on the
trademark owner claiming infringement to at least prove the likelihood of confusion.” Avon Shoe Co. v. David
Crystal, Inc., 171 F. Supp. 293, 299 (S.D.N.Y. 1959)).
harm the reputation of the famous mark,"46 the court has discretion to award the owner attorney’s fees and defendant’s profits as well as actual damages.47

The dilution entitlement afforded an extra layer of protection to the owners of high-value trademarks. To this end, companies that had vastly invested in the promotion of their brands finally found themselves legally in a robust position to the detriment of possible infringers. Nevertheless, the concept of dilution in the FTDA appeared to be problematic because it does not set framework for analyzing the following issues: (i) determination of what amounts to a "lessening of the capacity of a famous mark to identify and distinguish goods or services",48 (ii) identification of the nature of the harm that arises when a mark is diluted,49 (iii) proving harm; and (iv) determination of how the unauthorized but non-confusing third-party use of a mark damages the mark’s goodwill.50

B. The Role of the Courts

From 1996 to 2006, federal courts began to deny relief more frequently for federal dilution claims and to create statutory limitations erecting barriers to recovery.51 This trend was driven by the above-mentioned FTDA shortcomings. As a result, various circuits started interpreting the law in their own ways.52 FTDA’s requirement of harm serves as a typical example of such interpretation. The mere textual interpretation of the harm requirement allowed injunctions for the use of the mark by the third parties where such use did not cause any harm. The circuits soon split on the issue of whether the FTDA required actual harm or whether a likelihood of dilution was sufficient. The solution was given by the Supreme Court in Moseley v V Secret Catalogue, Inc.53 In Moseley, the Supreme Court determined that in order to prevail on a federal dilution claim, the owner of a famous mark must demonstrate that actual dilution has occurred, not merely a likelihood of dilution.54 To this end, actual dilution can only be proven by evidence of actual harm to the famous mark, although the Court did not further explain how this could be proved.55 Moseley also provided that tarnishment (i.e., use of a trademark by a third party in a way that creates a negative impression of the trademark in the minds of consumers and, thus, harms its reputation)56 might not be a viable theory of dilution under the FTDA.57

47 ELIAS ET AL., see supra, note 4, at 417.
49 See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v Utah Div. of Travel Dev., 170 F.3d 449, 451 (4th Cir. 1999) (where dilution is characterized as a concept whose harm has been called “dauntingly elusive.”).
50 Long, see supra note 46, at 136.
52 Clarisa Long, The political economy of trademark dilution, see above, pg. 139.
55 ELIAS ET AL., see supra, note 4, at 418.
57 “whether [tarnishment] is actually embraced by the statutory text, however, is another matter.”, Moseley v V Secret Catalogue, Inc., paragraph 432.
Moreover, federal Circuits had declared that mere regional fame or fame in a product niche market was insufficient to protect trademarks against dilution and made it even harder for trademark holders to prevail on dilution claims.\(^{58}\) In addition, some circuits confined protection only to marks that are “inherently distinctive”, i.e., marks that are memorable enough to be associated with a particular product in consumers’ minds from the very start of the mark’s use.\(^{59}\)

Scholars tend to explain this trend of the courts to raise the bar for the extra scope of protection enjoyed by famous trademarks by making recourse to political considerations. The Courts are less subject than the Congress to the pressures of lobbying and interest groups and, therefore, the judges are free to balance the pros and cons of enjoining unauthorized third party use of a mark. Accordingly, they would only grant injunctions when the private and social benefits of doing so outweighed the private and social costs.\(^{60}\)

C. Congress Fighting Back

The restrictive approach followed by the courts when interpreting the FTDA and the decision in Moseley has caused the statute to be “ambiguous, at best, and at worst, ineffective”.\(^{61}\) This made the interest groups petition Congress to “repair” the FTDA and to resolve the circuit split.” In response, Congress passed the TDRA, which restored the statute in many respects to the point it was at ten years ago before the courts started cutting it back.

First, it overturned Moseley by allowing injunctions to be granted to protect famous marks from dilution “regardless of the presence or absence of actual or likely confusion, of competition or of actual economic injury,”\(^{62}\) clearly establishing a standard of likelihood of dilution. Second, Congress explicitly specified that blurring and tarnishment were both definitions of dilution covered by the statute, thus undercutting the Supreme Court’s dicta in Moseley questioning tarnishment as a theory of dilution.\(^{63}\) Third, Congress defined a famous

\(^{58}\) For example, in TCPIP Holding Co. v. Haar Commc’ns, Inc., 244 F.3d 88, 98 (2d Cir. 2001), the Court rejected regional fame as sufficient to establish fame under the FTDA, in I.P. Lund Trading ApS v. Kohler Co., 163 F.3d 27, 58 (1st Cir. 1998), the Court stated that famousness requires national renown, while in Ott v Target Corp, 153 F. Supp. 2d 1055 (D. Minn. 2001), the Court ruled that fame based on a niche market would overprotect trademarks.

\(^{59}\) For example in New York Stock Exchange, Inc. v New York Hotel (293 F.3d 550, 556, 2d Cir. 2002) the Court provided that “marks that are not inherently distinctive but that have acquired secondary meaning” are not subject to dilution protection; Moreover in TCPIP Holding Co., the court ruled that “Because TCPIP’s mark, ‘The Children’s Place,’ as a designator of stores for children’s clothing and accessories, is descriptive, and thus, lacks inherent distinctiveness, it cannot qualify for the protection of the Dilution Act” and carried on saying that “The mark’s deficiency in inherent distinctiveness is not compensated by the fact that TCPIP’s mark has achieved a significant degree of consumer recognition.”

\(^{60}\) Clarisa Long, Dilution, see above, pg. 1054.


\(^{63}\) The TDRA defines 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.” 15 U.S.C. § 1125(c)(2)(B). The statute suggests that courts may refer to factors such as the degree of similarity between the allegedly violating mark and the famous mark, and the degree of distinctiveness of the famous mark. The definition of tarnishment is more succinct although no less broad, covering any “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C).
mark as one that is “widely recognized by the general consuming public of the United States as a designation of source of the goods or services” and suggested four famousness factors: (i) the duration and reach of publicity of the mark, (ii) the volume and extent of sales, (iii) actual recognition of the mark and (iv) meeting of procedural criteria regarding registration. The TDRA incorporated some of the courts’ definitions of fame as developed under the FTDA in the previous decade, i.e., by considering niche market fame as insufficient to qualify for protection under the Act. Fourth, the Act provided that however a mark may establish its distinctiveness (inherently or acquired through use), it would not affect its extra scope of protection against dilution. Fifth, the TDRA recognized that dilution protection could apply to trade dress as well, although plaintiffs would have to prove that the trade dress was still famous in the absence of any marks or logos that might appear in context with the trade dress.

By passing TDRA, Congress seems to have imposed its own view on the issue of dilution by clearly accommodating the holders of the famous trademarks. Nevertheless, if past history is of any guide, it should be expected that the courts shall continue to act as a counterweight to Congress and try in each case ad hoc to minimize any implications of this wide scope of protection they deem unjust.

III. The E.U. Approach

The efforts to harmonize trademark law in the European Union have been driven by the pragmatic desire to improve the freedom of movement of goods and services in the Common Market. To this end, obstacles to the free movement of goods or services resulting from the territorial nature of intellectual property should ultimately be overcome by introducing unitary rights “to be acquired through one single act taken out vis-à-vis one single authority, and having legal effect throughout the whole Community”. Trademarks are still the most important category of intellectual property rights where this wish has finally been realized with the introduction of the Community Trademark, regulated by Council Regulation (EC) No 207/2009 of 26 February 2009. With the introduction of the Community Trademarks, the EU legislative bodies decided that the national trademark law should coexist with the Community system. As a result, national rules were harmonized under the provisions of Directive 89/104/EEC of 21 December, 1988, in order to remove obstacles to free trade resulting from existing disparities. This Directive was made congruent with the core provisions in the Community Trademark Regulation. With the introduction of the Community Trademarks, it was decided that the national trademark law should coexist with the Community system. As a result, national rules were harmonized under the provisions of Directive 89/104/EEC of 21 December, 1988, in order to remove obstacles to free trade resulting from existing disparities. This Directive (or national trademark law? not clear…) was made congruent with the core provisions in the Community Trademark Regulation.

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68 Annette Kur, Fundamental concerns in the harmonization of European Trademark Law in Trademark Law and Theory, a Handbook of Contemporary Research, see above, pg. 152.
69 In the absence of communal patent and copyright rights.
Generally, what is really unique in the EU system (which is mostly influenced by civil law tradition) is the power of the European Court of Justice (hereinafter, ‘ECJ’). ECJ has been recognized by the establishing Treaty to be the ultimate guardian of the unitary interpretation of Community Law. Due to the ECJ’s unique position, its decisions are of paramount importance for the development of European trademark law concerning both the application of the Community Trademark Regulation, as well as the interpretation of the Directive that harmonizes the domestic legal framework on trademarks. Therefore, decisions of the Court have an immediate effect on several levels, multiplying the potentially detrimental effects of unclear or ambiguous reasoning. The European trademark law is mostly judge-made law because the Regulation and the Directive have intentionally avoided clear guidance on the application of their provisions; this is not attributable to the poor quality of legislative drafting. Indeed, the community legislators have assigned the Court the difficult task of resolving issues resulting from the inherent complexities of the subject-matter and overcoming fundamental differences in national attitudes toward the underlying objectives of trademark protection.

A. The Directive and the Regulation

The Trademark Directive (89/104/EEC) recognizes the subset of famous trademarks with a broad brand value within the domestic market of a member-state. The Directive affords extra protection to these trademarks in cases of dilution by third parties’ unauthorized use or attempt of registration of the trademarks that are “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.”

A closely similar provision exists in the Community Trademark Regulation with a difference being traced in the territorial scope of the reputation of the famous trademark that is protected against dilution caused by “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 distinctive character or the repute of the Community trade mark.”

It may be noted at the outset that under the above provisions there is no requirement of a likelihood of confusion on the part of the targeted public or of a similarity of the goods or

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70 Under article 234 of the Treaty establishing the European Community, the ECJ has “jurisdiction to give preliminary rulings concerning (a) the interpretation of this Treaty; (b) the validity and interpretation of acts of the institutions of the Community and of the European Central Bank; and (c) the interpretation of the statutes of bodies established by an act of the Council, where those statutes so provide”. Moreover, article 234 imposes an obligation to the Supreme Courts of each member-state to bring the cases before the ECJ where questions on the interpretation and real meaning of community law are raised before them.

71 Kur, see supra note 71, at 154–155.


services concerned. In many member-states trademarks have been traditionally protected in accordance with the principle of “speciality,” i.e., the principle that marks should be protected only in relation to registered goods or services or in relation to similar goods or services. National law concerning unfair competition and the like has afforded protection to distinctive signs in relation to dissimilar goods or services rather than under trade mark law. To this end, the above provisions were a step further in the protection of famous trademarks in the European continent by explicitly severing any required connection to particular goods or services.

However, as shown above, the trademark legislation of the European community is rather obscure, since it leaves many unresolved issues. In order to clarify the lacunae of the law, the ECJ undertook the role of the legislature and its jurisprudence created specific criteria regarding the concept of reputation, the extent of the extra protection afforded to famous trademarks, and the need for an actual dilution.

B. The Role of the European Court of Justice

The first case that the Court dealt with when applying the article 5(2) of the Directive was General Motors v. Yplon. In General Motors, the Court was asked to define the concept of reputation. The court examined linguistic definitions of the words as used in every official EU language in which the Directive was published, and ruled that “in the context of a uniform interpretation of Community law, a knowledge threshold requirement emerges from a comparison of all the language versions of the Directive”. The Court also ruled that knowledge should be established amongst a significant part the public concerned by the famous trademark. It is the national courts that will determine whether this knowledge has been established, based on an ad hoc examination of the market conditions pertaining to a particular product or service. The criteria that the national courts can refer to include non-exhaustively the market share held by the trademark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it. However, the ECJ decision was explicit in rejecting any quantitative requirement of a given percentage of the targeted public. The Court, then examined the required territorial scope of reputation and determined that “a trademark cannot be required to have a reputation ‘throughout’ the territory of the Member State. It is sufficient for it to exist in a substantial part of it.” Finally, the Court concluded that as soon as the reputation is established, national courts must seek to find whether the famous trademark is detrimentally affected without due cause, and, to this end, the court observed that “the stronger the earlier mark's distinctive character and reputation the easier it will be to accept that detriment has been caused to it.”

The Court also extended the scope of application of respective trademark law provisions that referred specifically to cases where the marks under comparison cover dissimilar goods/services, to cases in which the marks cover identical or similar goods/services. In Davidoff

75 Id.
76 See paragraphs 21 and 22 distinguishing the German, Dutch and Swedish versions that use words signifying that the trade mark must be ‘known’ without indicating the extent of knowledge required, whereas the other language versions use the term ‘reputation’ or expressions implying, like that term, at a quantitative level a certain degree of knowledge amongst the public.
77 Paragraph 28.
v. Gofkid the Court ruled that, in light of the overall scheme and objectives of the EU trademark law system, it would be logically inconsistent to confine protection of famous trademarks only to cases where a third party’s sign is used for non-similar goods or services.  

One of the most important rulings of the ECJ on the issue of protection of the famous trademarks was in Adidas-Salomon v. Fitnessworld. In Adidas-Salomon, the court for the first time set forth the ‘link criterion’ as a requirement for establishing dilution. In particular, the Court ruled that dilution is “the consequence of a certain degree of similarity between the mark and the sign, by virtue of which the relevant section of the public makes a connection between the sign and the mark, that is to say, establishes a link between them even though it does not confuse them” and “The existence of such a link must, just like a likelihood of confusion in the context of Article 5(1)(b) of the Directive, be appreciated globally, taking into account all factors relevant to the circumstances of the case.”

Nevertheless, the ECJ in the above decision did not establish a clear criterion as to which type of dilution was needed in order to assess the link. To this end, national Courts applied the link criterion in a general manner asking only for a “likelihood of confusion,” thus maximizing the scope of protection of famous marks. 

The ECJ, in its recent ruling in Intel v Intelmark (C-252/07, 11.27.2008), introduced explicitly an actual dilution requirement and set out the criteria for establishing a link between a famous trademark and a possibly infringing sign. In particular, the Court ruled that to determine whether the public links the two trade marks, national courts need to assess globally all relevant facts and pay particular attention to the degree of similarity of the marks, the nature of the goods and services involved, the reputation and distinctive character of the earlier mark, and the likelihood of confusion between the two marks. The strength of the reputation of the earlier mark can be helpful in establishing a link, particularly if the mark is known outside of the group of usual consumers or when the later mark calls to the mind of the average consumer the earlier mark.

In addition, the ECJ proceeded a step further and determined that the existence of a link is not, in itself, enough to afford greater protection to famous marks. In this regard, the owner needs to adduce proof of detriment by either demonstrating actual and present injury to its mark or showing of a serious risk that such injury will occur in the future. Then, the Court proceeded so far as defining the notion of injury and introducing a criterion of “change of economic behaviour” on behalf of consumers.

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78 ECJ, C- 292/00, Davidoff v. Gofkid, paragraphs 21-30.
79 C-308/01, 10.23.2003, Adidas-Salomon v. Fitnessworld, paragraphs 29 and 30.
80 An indicative example is the decision of the Greek Supreme Administrative Court (Conseil d’ Etat) No. 1423/2008 accepting an appeal on the ground that the Appellate Court failed to determine that under the ECJ case-law, “a link is possible to be created” between the famous GUINNESS trademark and the defendant’s beer GENUSS.
82 “It follows that proof that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future”, Intel, supra note 28, at par. 77.
The decision in *Intel* has been received with skepticism. Commentators pointed out the negative implications that this decision brought for famous trademarks. For example, there is a fear that EU trademark law moves towards the contractual approach according to which one must prove actual financial loss in order to obtain compensation for damage to reputation arising from a breach of contract. Moreover, brand owners now need to present clear evidence of financial loss directly associated with the use of the allegedly infringing sign and cannot any more base their argumentation on purely speculative, unfair market impacts. Nevertheless, this may prove to be a very hard task "in a case like Intel and Intelmark where the two companies operate in different sectors" and, therefore, the message of this recent decisions may be "that superbrands are denied absolute protection and the ECJ has reined in their monopoly of famous names."

From the above, I conclude that the ECJ currently dominates in the formation of rules applicable to famous trademarks within the European Union. The ECJ's domination is because of the need for approximation of trademark national laws, and is a part of the broader pursuit for establishing a functioning common market. ECJ's judgments are of crucial importance for trademark law and this creates a novel situation for the civil law countries (which comprise the majority of the EU Member-States) where, traditionally, wisdom to be found in books is valued more than judges' deliberations. Nevertheless, it is rather unlikely in the close future to see a response from the European legislative bodies (the European Commission, the European Council, or the European Parliament). Despite pressures from interest groups, EU legislative bodies have never so far actually imposed their will against a decision of the ECJ. To this end, the Court is regarded the ultimate and most capable decision maker for determining the scope of protection afforded to famous trademarks within the European common market.

**Conclusion**

At the international level, the need for the protection of well-known and famous trademarks was originally recognized by the Paris Convention as early as 1925. Subsequently, the minimum standards addressing the current market needs were set by TRIPS in 1994. Both U.S. and E.U. trademark law comply with these minimal requirements, although TDRA seems to deviate from the subjective scope of reputation requirements, because it requires fame to be established in the general public rather than only in the interested circle of the targeted public, as implied by TRIPS and acknowledged by the ECJ.

The concept of dilution indisputably originated in the U.S. and understandably the ECJ needed to refer to the American jurisprudence when dealing for the first time with famous trademarks' protection. The protection of brands is part of a larger, global debate regarding the necessity for raising bars in trade and commerce and establishing anti-monopoly market regimes. Nevertheless, the two legal systems under examination seem to take a different path; on one side, the U.S. Congress reinvigorated the protection of famous trademarks by explicitly providing in

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83 Dominic J. Bray, Stuart Baker, see above.
85 Michael Herman, *Intel Ruling Restricts Legal Protection for Famous Brands*, Times Online, 11.27, 2008,
the TDRA for a “likelihood of dilution” approach, while on the other side the ECJ adopted the “actual dilution” doctrine. Accordingly, the recent ECJ Judgment is likely to come as a blow to owners of well-known brands in Europe because the ECJ has refused to follow the American trend in giving brand owners a wide ability to protect against dilution by adopting “instead a more pragmatic view where injury or likelihood of injury to the brand is required.”86

86 Id.