

DOI: <https://doi.org/10.36719/2706-6185/36/42-46>

Jamal Zeynalli
Baku, Azerbaijan
zeynalli223@gmail.com

ANALYSIS OF THE TYPES OF DILUTION UNDER EUROPEAN LAW

Abstract

This article focuses on examining the concept of dilution within the framework of European Union (EU) law. The EU's trademark law regulations are established to protect trademarks and prevent unfair competition. In this context, dilution actions encompass elements that can harm a trademark's distinctiveness or reputation and are associated with the unauthorized use of a trademark that provides unfair advantage. The EU legislation contains specific provisions to ensure protection against dilution actions to safeguard the reputation and distinctiveness of trademarks.

This paper explores the concept of dilution, emphasizing the decisions of the Court of Justice of the European Union (CJEU) and relevant provisions of the EU Trademark Regulation. Particularly, it delves into various types of dilution such as blurring, free-riding, and tarnishment. It also discusses the factors to consider in determining the impact of dilution and highlights the significance of court rulings in this regard.

Keywords: *trademark dilution, unfair competition, blurring, free-riding, tarnishment*

Camal Zeynalli
Bakı, Azərbaycan
zeynalli223@gmail.com

Avropa hüququ əsasında “durulaşdırma” (dilution) növlərinin təhlili

Xülasə

Bu məqalə Avropa İttifaqı (Aİ) hüququ çərçivəsində durulaşdırma anlayışının araşdırılmasına yönəlmişdir. Aİ-nin əmtəə nişanı qanunvericiliyi əmtəə nişanlarını qorumaq və haqsız rəqabətin qarşısını almaq üçün təsis edilmişdir. Bu kontekstdə durulaşdırma hərəkətləri bir əmtəə nişanının ayırdediciliyinə və ya reputasiyasına zərər vura bilən və icazəsiz əmtəə nişanı istifadəsi ilə əlaqəli olan elementləri əhatə edir ki, bu da haqsız üstünlük təmin edir. Aİ qanunvericiliyi əmtəə nişanlarının reputasiyasını və ayırdediciliyini qorumaq üçün durulaşdırma hərəkətlərinə qarşı xüsusi müdafiə tədbirlərini nəzərdə tutur.

Məqalədə Avropa Ədalət Məhkəməsinin (AƏM) qərarlarını və “Aİ Əmtəə Nişanları Qaydaları”nı vurğulayaraq durulaşdırma anlayışı araşdırılır. Xüsusilə bulanma, fürsətçilik və ləkələmə kimi müxtəlif durulaşdırma növlərinə diqqət yetirilir. Həmçinin durulaşdırmanın təsirini müəyyən etmək üçün nəzərə alınması lazım olan amillər müzakirə edilir və bu mövzuda məhkəmə qərarlarının əhəmiyyəti vurğulanır.

Açar sözlər: *əmtəə nişanı durulaşdırılması, haqsız rəqabət, bulanma, fürsətçilik, ləkələmə*

Introduction

Directive No. 89/104/EEC (1) aims to harmonize the laws of the European Union Member States concerning trademarks. This Directive seeks to facilitate the free movement of goods and services within the European Union and to harmonize the differences in the laws of the Member States concerning trademarks that could distort competition. There is no direct concept for dilution actions in EU legislation. However, dilutive actions can be compared with the unauthorized use of a trademark that harms its distinctiveness or reputation and provides an unfair advantage. Protection against harm is important because it aims to prevent the diminution of a business's brand identity and misleading associations (Burrell, Handler, 2016: 86). If there is a possibility that the use of a

trademark will harm the functions of a well-known mark or provide an unfair advantage by exploiting the reputation of the mark, it constitutes an infringement of the exclusive rights of the trademark owner. According to the Court of Justice of the European Union, the formation of harm and unfair advantage can be considered as grounds for dilution (3). The basic principle is that the greater the connection between the subsequent mark and the earlier mark, the higher the likelihood of harm occurring (Onishi, 2015: 111).

It would be appropriate to mention the Intel Corporation C-252/07 decision of the Court of Justice of the European Union (CJEU), which contains important findings on the subject. In the judgment, it is emphasized that when the public does not establish a connection between the trademark and the subsequent trademark, the use of the subsequent mark does not create an unfair advantage. The CJEU has identified the factors that could create this connection as follows: i. similarity between the signs; ii. similarity of the products; iii. the reputation of the earlier mark; iv. the distinctiveness of the earlier mark; and v. the likelihood of confusion by relevant consumers. Harmful use and unfair advantage are generally proven with market reports concerning the recognition of the exploited mark. Regarding the similarity of the signs, the standards for similarity in the EU are lower compared to those in the United States (Simon, 2011: 107).

Two important regulations that govern protection against dilution in EU trademark law are DIRECTIVE (EU) 2015/2436 (6) and Regulation (EU) 2017/1001 (7). Articles 4(3) and 8(5) of these regulations contain similar provisions regarding protection against dilution. According to these regulations, "to make a claim of dilution, it is necessary that the earlier mark has reached a level of recognition, the earlier mark and the later mark are identical or similar, the use of the later mark damages the distinctive character of the earlier mark, the use of the later mark damages the reputation of the earlier mark, the use of the later mark gains unfair advantage, and the use of the later mark is unacceptable without a valid reason" (Simon, 2006: 411).

Types of dilution: In EU law, dilution encompasses the erosion of the distinctive character of the trademark (blurring), damage to the reputation of the trademark (tarnishment), and unfair advantage (free-riding) (Kurt, 2012: 115).

Free-riding: The European General Court (EGC) defines the concept of "unfair advantage" as an action taken with the intention of benefiting from the reputation of a trademark or exploiting the popularity of a famous mark (10).

WIPO defines the concept of unfair advantage as the act of a competitor or market player engaging in an action that closely resembles the original success in order to benefit from another person's commercial success (11). So, a person tries to gain an advantage from the commercial success of a successful individual by following a strategy closely resembling that of the successful person (Höpperger, Senftleben, 2007: 64).

The concept of unfair advantage, as addressed in the case of *L'Oréal v Bellure*, is considered by the CJEU to be a type of action that should be prohibited, and gaining an advantage by deliberately exploiting the reputation of the trademark owner is termed as parasitism (13). The Court of Justice of the European Union stated in the case of *L'Oréal v Bellure NV* that parasitism or unfair advantage is not about the damage caused to the brand, but rather about the advantage derived from the use of the same or similar sign, particularly when the characteristics of the brand are transferred to products identified by the same or similar sign, resulting in situations of parasitism alongside the reputation of the brand. The Court noted that the term parasitism refers to the advantage gained by a third party from the use of the same or similar sign, rather than the damage inflicted on the brand.

In the *LLP v OHIM* case, the General Court of the European Union ruled that in order to determine whether the applicant's mark benefits from the well-known mark, it is important to explain the relationship among relevant consumers. This relationship between the marks and the goods and services should be examined through a comprehensive assessment that considers all relevant factors. These factors include the degree of similarity between the marks, the nature and level of the goods and services offered, the degree of distinctiveness of the earlier mark, and the strength of the earlier mark's reputation. The Court emphasized that the mere existence of a

connection is not sufficient; evidence of this connection is also required. However, this situation is not applicable to the current LLP case. In the LLP v OHIM case, despite the opponent's mark having a high degree of distinctiveness and a long-standing reputation, the Court stated that this does not mean that the distinctive characteristics of the earlier mark are transferred to the products related to the applicant's marks. Therefore, the Court concluded that such a transfer is unlikely to occur in the commercial field. This is an important requirement for the allegation of unfair advantage or unfair exploitation. The Court also noted that the reputation, attractiveness, and prestige of earlier marks may not always be beneficial for the marketing of the applicant's products (14).

If a trademark owner uses the relevant mark within the framework of "due cause," this use may not create a dilution effect. For example, in the CJEU's 2011 "INTERFLORA" decision, a well-known mark was used as a keyword by a competing company on the internet. However, if this company is not selling counterfeit products of the relevant mark, this situation does not damage the distinctive character of the mark, does not affect the reputation of the mark, and does not negatively impact the functions of the mark (such as indicating the source or advertising). If equal conditions are present, the use of the famous mark or a similar one by the competing company can be considered "due cause," and thus, no dilution effect occurs (15).

Blurring: Dilution by blurring is defined as the reduction or degradation of a mark's distinctiveness or originality (Rimmer, 2008: 95). The purpose of trademark registration is to protect trademark rights. Dilution by blurring arises from the unauthorized use of a well-known mark. However, there must be evidence that the distinctiveness of the well-known mark has diminished. Dilution infringement cases aim to prevent the misuse of a mark's reputation or parasitic competition (free-riding). Legislation provides trademark owners with remedies against the dilution of their marks by others, thereby ensuring this protective network (Macias, Cervino, 2017: 347).

Dilution by blurring is related to the decreased interest in a product due to consumers' inability to accurately determine its origin. This type of dilution not only has long-term consequences for the ongoing operations of a business but also creates additional obstacles for the business. If someone uses a well-known mark on low-quality, unhealthy, or substandard products, consumers may completely avoid purchasing those products. The negative effects of dilution do not end, as they have profound impacts on the overall business.

In general, blurring by dilution arises in situations where the defendant's use of a mark causes the distinctive characteristics of the plaintiff's well-known mark to become less clear and less distinctive. In other words, "blurring occurs when, as a result of the defendant's use of the mark, the public no longer associates the plaintiff's famous mark solely with its goods or services and begins to associate it with both parties." Dilution harms a mark by associating it with different goods or services, rather than creating confusion in consumers' minds about the source of the goods or services (Micheletti, Dorfman, 2002: 1345).

Considering all these factors, the conclusion drawn from ECJ rulings is that proving blurring requires strong and clear evidence, including changes in economic behavior, making it almost impossible. Therefore, it is understood that the practical use of blurring is limited.

Tarnishment: When a trademark is associated with a low-quality product, its reputation is tarnished. Additionally, if a trademark is depicted or mentioned in an unpleasant or unhealthy context, it becomes tainted, leading to a reduction in its appeal and purchasing power, ultimately harming its reputation. Therefore, this situation, known as tarnishment, is considered a more serious form of dilution compared to blurring. In tarnishment, the trademark is not just weakened; rather, its value diminishes due to the negative associations formed by the public with the later mark. This is referred to as dilution by tarnishment.

The concept of dilution by tarnishment initially emerged as the weakening of a trademark's distinctiveness and later came to be defined as the damage to a trademark's reputation over time. Articles 8(5) and 9(1)(c) of the European Union Trade Mark Regulation define tarnishment as "detriment to the repute of the earlier mark." This concept was first highlighted in the famous *Claeryn v. Klarein* case by the Benelux Court of Justice. In this case, the court ruled that the 'Klarein'

mark for liquid detergent tarnished the 'Claeryn' mark for Dutch gin because the similarity between the two marks could lead consumers to associate the gin with detergent (19). Accordingly, dilution by tarnishment occurs when the unauthorized use of a well-known mark is likely to reduce its image or reputation.

Tarnishment appears to go beyond blurring, as the trademark's reputation is not just weakened but actually reduced through the later association made by the consumer. The likelihood of tarnishment increases when the products or services offered under the later mark have characteristics or qualities that negatively affect the image of the earlier mark. According to the European Union Intellectual Property Office (EUIPO) Guidelines, tarnishment refers to the devaluation of a mark resulting from its use in an obscene, degrading, or inappropriate context, or when the promotional efforts of the trademark owner are used in a negative context (20).

In the assessment of dilution by tarnishment, more is required than just establishing a mental connection between the marks; the trademark owner must prove that such a relationship has a harmful or adverse effect on their mark. Similar to the case of blurring, this evaluation involves knowledgeable and attentive consumers of the products and services for which the mark is registered. The Office notes that arguments concerning the poor quality of the products or services and the inability of the opposing party to control the quality of such products or services are not sufficient by themselves to demonstrate damage. Additionally, evaluating the quality of different products or services, especially when the later mark has not been used, is not feasible due to the differences and subjective nature of the categories in which the marks are registered. However, if the poorer quality of the later mark's products and services evokes a connection with the earlier mark, the owner of the earlier mark may seek protection against unfair advantages that harm its reputation, distinctiveness, or originality.

Judicial decisions have found tarnishment between Kappa for sports clothing and footwear and Kappa for tobacco products, cigarettes, cigars, etc. The court ruled that because smoking is considered an unhealthy habit, the Kappa logo for cigarettes could create a negative mental association with the healthy lifestyle image of the earlier Kappa mark (21).

Conclusion

In conclusion, trademark dilution is a critical legal mechanism for protecting the distinctiveness and reputation of a well-known brand. Blurring and tarnishment are two principal forms frequently encountered in cases of trademark rights infringement. Blurring is characterized by a decrease in the distinctiveness of a brand and a distortion of consumer perception, while tarnishment can have a deeper impact, directly damaging the brand's reputation. In both cases, it is crucial for brand owners to protect their trademarks against dilution and to resort to legal action when necessary. European Union legislation and judicial decisions provide broad protection for brand owners, but proving damage can often be challenging. Without clear and strong evidence, proving claims of trademark dilution can be nearly impossible. Therefore, it is recommended that brand owners take proactive measures to protect their marks and remain vigilant against potential dilution risks.

References

1. Council Directive 89/104/ECC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trademarks. (1989). OJ L 40/1. Available at: <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A31989L0104>. (Accessed 25.05.2024)
2. Burrell, R., Handler, M. (2016) Reputation in European trade mark law: a re-examination. In *Era Forum* (Vol. 17, No. 1). Berlin/Heidelberg: Springer Berlin Heidelberg, pp. 85-99.
3. Case C-252/07. Intel Corporation Inc v. CPM United Kingdom Ltd. (2009). E.T.M.R. 13. Available at: <https://curia.europa.eu/juris/liste.jsf?num=C-252/07>. (Accessed 25.05.2024)
4. Onishi, H. (2015). *Well-known trademarks: A comparative study of Japan and the EU*. Routledge.
5. Simon, I. (2011). *Trade Mark Dilution in Europe and the United States*. OUP Oxford.
6. Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015.

- Available at: <https://eurlex.europa.eu/legal-content/en/txt/pdf/?uri=celex:32015l2436&from=lv>. (accessed 26.05.2024)
7. Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R1001>. (Accessed 27.05.2024)
 8. Simon, I. (2006). Dilution in the US, Europe, and beyond: international obligations and basic definitions. *Journal of Intellectual Property Law & Practice*, 1(6), pp. 406-412.
 9. Kurt, E. (2012). Concepts of Unfair Advantage, Dilution and Reputational Damage in Trademark Law from a Comparative Aspect. *Journal of Legal intellectual and industrial rights*, No. 8(30), pp. 113-158.
 10. *Mango Sport System SRL Socio Unico Mangone Antonio Vincenzo v Diknah SL* (Case R 308/2003-1). (2005). *ETMR* 5. Available at: <https://www.ipo.gov.uk/t-challenge-decision-results/o35306.pdf>. (Accessed 27.05.2024)
 11. Protection against Unfair Competition Act. (2000). (Act 589). Ghana. Available at: <https://www.wipo.int/wipolex/en/text/157035>. (Accessed 28.05.2024)
 12. Höpferger, M., Senfleben, M. (2007). Protection Against Unfair Competition at the International Level – The Paris Convention, the 1996 Model Provisions and the Current Work of the World Intellectual Property Organisation. *Law Against Unfair Competition: Towards a New Paradigm in Europe?* pp. 61-76.
 13. C-487/07 – *L'Oréal v Bellure NV*. Available at: <https://curia.europa.eu/juris/liste.jsf?num=C-487/07>. (Accessed 28.05.2024)
 14. T-570/10 – *Environmental Manufacturing v OHMI*. Available at: <https://curia.europa.eu/juris/liste.jsf?num=T-570/10&language=EN>. (Accessed 28.05.2024)
 15. C-323/09 – *Interflora and Interflora British Unit*. Available at: <https://curia.europa.eu/juris/liste.jsf?num=C-323/09>. (Accessed 28.05.2024)
 16. Rimmer, M. (2008). *The Black Label: Trademark Dilution, Culture Jamming and the No Logo Movement*. *The Scripted*, pp. 70-138.
 17. Macias, W., Cervino, J. (2017). Trademark dilution: comparing the effects of blurring and tarnishment cases over brand equity. *Management & Marketing, Challenges for the Knowledge Society*, 12(3), pp. 346-360.
 18. Micheletti, C. T., Dorfman, D. (2002). Proving Dilution by Blurring: An Analysis of Dilution by Blurring Factors under the Federal Trademark Dilution Act. *The Trademark Reporter*, 92, pp. 1345-1392.
 19. C-408/01 – *Adidas-Salomon and Adidas Benelux*. Available at: <https://curia.europa.eu/juris/liste.jsf?num=C-408/01>. (Accessed 28.05.2024)
 20. Guidelines for Examination in the Office, Part C, Opposition of 01 October 2017 on Trade Marks with Reputation, Article 8(5) EUTMR. (2017). Available at: <https://guidelines.euipo.europa.eu/1935303/1982560/trade-mark-guidelines/3-4-3-3detriment-to-repute>. (Accessed 28.05.2024)
 21. *Kappa/Kappa et al*. Available at: https://euipo.europa.eu/eSearchCLW/#basic/*/12%2F03%2F2012/12%2F03%2F2012/number/297%2F2011-5. (Accessed 29.05.2024)

Received: 21.04.2024

Accepted: 13.06.2024