

## TRADEMARK DILUTION [5846 words]

Keywords: dilution by blurring; dilution by tarnishment; free-riding; trademark defense; parody; famous marks; well-known marks; reputation; dissimilar marks

### INTRODUCTION

In the absence of any →likelihood of confusion of the consumer, anti-dilution laws protect the trademark holder's interests in using the →advertising function, →communication function and →quality function/ →investment functions of his or her trademark (Kur, 2019).

The trademark systems of the →EU, →US and →China and many other jurisdictions, protect against confusion and dilution. The latter protection is only for →well-known mark, marks with a reputation or famous marks, even though the goods and services of the junior mark are dissimilar and there is no confusion as to the source of the goods or services in the eyes of the consumer. There are two forms of trademark dilution. The first form is dilution by blurring, where another trader uses an identical or similar trademark for dissimilar goods or services as the famous mark without authorization, so that the uniqueness of the trademark of the original trademark holder is undermined in the consumer's mind. The second form is dilution by tarnishment, where another trader uses an identical or similar trademark as the one of the original trademark holder in an unsavory way, so that the consumer associates it with sex, drugs or violence, which damages the reputation of the trademark.

In the absence of dilution by blurring and dilution by tarnishment, if a junior user is taking an unfair advantage on the investment of the trademark holder in his famous trademark, in a remote and disparate market, where the famous trademark is not impaired as a source-indicator, the senior mark holder could try to invoke the protection against free-riding. In the EU this is mostly accepted, but not always in the US and China.

Exclusions to the protection of dilution are descriptive and nominative fair use; and →comparative advertising; →parody; criticism; news reporting and any noncommercial use of a mark.

### BRIEF HISTORY OF DILUTION

In 1927, Frank Schechter introduced the concept of '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,' in his Harvard Law Review article 'The Rational Basis of Trademark Protection'. Schechter was convinced that the advertising power of a trademark was the most important value worth protecting. The Lanham Act of 1946, did not include any anti-dilution provision. A year later, the US State of Massachusetts introduced anti-dilution protection, and described dilution as "the gradual whittling away of the trademark's selling power or reputation", echoing Schechter. Rudolf Callmann, a prominent advocate of the concept, named it trademark dilution in 1949. Where protection against →trademark infringement derived from the →unfair competition doctrine, this was not the case for protection against trademark dilution. Callmann argued that it was based on a property-like right appurtenant to the →goodwill of a →brand. In 1953, the State of Illinois, and 1955 the States of New York and Georgia followed. In 1965, the US Trademark Association decided to add an anti-dilution provision in its Model State Trademark Bill.

In 1989, the EU Council introduced art. 5(2) of Directive 89/104/EEC which consists of protection against trademark dilution by blurring and by tarnishment and free-riding at the EU level. EU Member States can decide whether or not to provide extra protection for their national trademarks with a reputation. In that case, the trademark holder may prevent other traders from using the registered trademark with a reputation in a Member State of the EU, in

relation to dissimilar goods or services, 'where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.' Thus, 'detrimental to the distinctive character of the trademark' is the EU-version of dilution by blurring, and 'detrimental to the repute of the trademark' is the EU-version of dilution by tarnishment; and 'takes unfair advantage of ... the distinctive character or repute of the trade mark', is comparable to the free-riding in the US.

Consecutive Trademark Directives (art. 5(2) Directive of 2008/95/EC and art. 10(2)(c) of → Directive (EU) 2015/2436 and Regulations (Art. 9(1)(c) of Regulation (EC) No 207/2009 and Art. 9(2)(c) of Regulation (EU) 2015/2424 → Regulation (EU) 2015/2424), all use the same wording.

In 1925, The Hague Act the → Paris Convention introduced art. 6bis, which gave extra-territorial protection to well-known marks for identical or similar goods (not services). In 1994, art 16(2) and (3) of the → Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) extended the scope of well-known marks of art. 6bis of the Paris Convention that was applicable to identical or similar goods to non-competing goods and services, and therefore provides an international protection against trademark dilution. In 2000, the → World Intellectual Property Organization (WIPO) published the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks to harmonize the common principles of national and regional trademark systems. This Joint Recommendation only partly succeeded in this objective.

The US Congress, succeeded, after an unsuccessful attempt in 1988, to adopt the Federal Trademark Dilution Act (FTDA) which was implemented in the Lanham Act in 1995 and provides some protection against trademark dilution. In 2003, the US Supreme Court in *Moseley v. V Secret Catalogue, Inc.* (537 U.S. 418 (2003)) held that under the FTDA, actual dilution by blurring was required and that it did not provide protection against dilution by tarnishment. Although the US Supreme Court realized that it was not desirable that dilution by blurring had to have caused damage before it could be stopped and that trademark holders were not explicitly protected against dilution by tarnishment, it did not want to engage in judicial lawmaking. US Congress took the cue, repealed the FTDA and introduced the Trademark Dilution Revision Act (TDRA) which became part of the Lanham Act in 2006 (s. 1125(c)), which guaranteed protection against a likelihood of trademark dilution by blurring and →tarnishment.

China also provides protection against trademark dilution since the second amendment to its Trademark Law in 2001, and in compliance with TRIPs. Article 13(3) Trademark Law of 2019 protects the interests of the trademark holder against the reproduction, imitation or translation of a well-known mark that is registered for dissimilar goods damages.

## REMEDIES

In those jurisdictions with protection against trademark dilution, trademark holders can oppose the registration of a trademark, and when the trademark is already registered, they can revoke or invalidate it, and stop any use via an injunctive relief. In the US, the remedy for trademark dilution is an injunction against any further dilution. If the trademark holder can prove willfulness of the trademark dilution, he or she can recover profits, damages, treble damages, or attorneys' fees (s. 1117(a)) and destruction of the goods bearing the registered mark (s. 1118).

## DILUTION BY BLURRING

If a trademark is used promiscuously, its →**distinctiveness** will be eroded. If for example, Coca-Cola is used for pianos, shaving cream and bathtubs, the identity and hold upon the public mind of the mark will gradually whittle away.

[T]he trademark is not merely the symbol of good will but often the most effective agent for the creation of good will, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating the desire for further satisfactions.' (Schechter, 1927, p. 819). Because of the relation between the degree of distinctiveness of a trademark (identifying a source of the goods or services) and the effectiveness of its selling power, Schechter held that therefore the most distinctive or unique of trademarks were worth protecting. Schechter already alluded to trademarks that are inherently distinctive. In 1976, in *Abercrombie & Fitch Co. v. Hunting World, Inc.* (537 F.2d 4 (2<sup>nd</sup> Cir. 1976)), the Second Circuit provided a hierarchy of distinctiveness of trademarks: from →generic [note to editor: link to 'generic mark'] and merely descriptive trademarks that cannot be registered as a trademark nor deserve protection (however, descriptive trademarks can acquire distinctiveness), to suggestive, arbitrary and fanciful trademarks that are inherently distinctive and thus eligible for registration and protection. However, trademark systems in the EU, US and China use reputation, fame or well-knownness of trademarks as a proxy for distinctiveness or uniqueness (Friedmann, 2016). Instead, the well-established specificity principle makes uniqueness incompatible to trademark law. Welkowitz criticizes the exclusivity of this protection to those least in need of it, and the asymmetry between private (trademark rights) and public benefits (freedom of expression) (Welkowitz, 1991).

Where trademark confusion →**likelihood of confusion** causes external search costs, dilution by blurring causes internal search costs (Tushnet, 2008). Cognitive science demonstrates that low frequency of the use of a particular trademark name leads to lower recall, and vice versa, a high frequency of the use of a trademark, including by others than the senior trademark holder, leads to a higher recall, but also a higher danger of dilution (Tushnet, 2008).

## REPUTATION/FAME/WELL-KNOWNNESS

Trademark systems use different standards for the required degree of recognition. One important distinction between these systems is whether a broad geographic area or market or niche is considered a sufficient recognition. Some have argued that mere recognition is not enough, but that positive recognition should be the standard (Senftleben, 2009). In the EU, US and China they use different terminology (reputation, fame, and well-knownness, respectively) which lead to similar outcomes, see below:

## REPUTATION

In the EU, trademark dilution by blurring is described as trademark use that is detrimental to, the distinctive character of the trademark which has a reputation in an EU member state. A limited size of the relevant market should not be regarded as a factor for preventing a mark from acquiring a reputation within the meaning of arts 8(5) and 9(2)(c) of →**Regulation (EU) 2017/1001**. Reputation is more a question of proportion and less of absolute numbers.

In 1999, in *General Motors v Yplon* (C-375/97, ECLI:EU:C:1999:408) the then CJEU held that General Motors's Benelux trademark 'Chevy' for motor vehicles, had sufficient reputation in a substantial part of the Benelux territory to prevent Yplon from using its identical Benelux trademark for detergents. The CJEU held that in examining whether the degree of knowledge required for reputation, 'the national court must take into consideration all the relevant facts of the case, in particular the market share held by the trade mark, the intensity, geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it.'

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## FAME

Under the FTDA, courts in six of the twelve federal circuits had adopted a niche market theory of fame, which allows owners to protect trademarks from dilution if they can prove fame in a particular consumer market. In contrast, fame under the TDRA (s. 1125(c)(2)(A)), protects only those marks that are widely recognized by the general consuming public of the US. For the requisite degree of recognition, a court may consider the following factors: the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties; the amount, volume, and geographic extent of sales of goods or services offered under the mark; the extent of actual recognition of the mark. Some have proposed that a trademark should not be considered nationally famous if less than 50 percent of the general public knows the trademark (Carrier, 2004).

Commented [BJ7]: s.a.

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## WELL-KNOWNNESS

China uses the →'well-known marks' terminology of the →Paris Convention. In 2009, the Supreme People's Court provided a judicial interpretation on how to interpret the protection of well-known marks, and in 2014, the State Administration for Industry and Commerce provided a definition in art. 2 of the Provisions on the Determination and Protection of Well-Known Trademarks (2014 Revision) where a well-known trademark in China is referred to as 'a mark commonly known by the relevant public and highly popular in China.' 'Relevant public' includes the consumers associated with a specific kind of commodity or service distinguishable by a trademark, such as manufacturers of the claimed commodity or other operators offering the relevant service, and the sellers and other people engaging in the market. In 2018 in *Chengdu Bus Inc Co v Chongqing Sokon Industry Group Co Ltd.* (Chongqing High People's Court, Civil No 65, 2018), the Chongqing High People's Court identified that relevant consumers should be related to the products sold by the plaintiff (ie, those who need or plan to buy cars or peripheral products).

Article 13(3) of the Trademark Law 2019 holds that 'where a trademark for registration to be used on different or dissimilar goods is a copy, imitation, or translation of a well-known trademark of another party which has been registered in China, misleads the public, and may cause damage to the interests of the registrant of the well-known trademark, it shall not be registered and shall be prohibited from use.'

Even though there is no explicit provision on any distinctiveness →distinctiveness requirement for the protection of well-known trademarks, the courts have often taken this dimension into account. The degree of similarity between marks is relevant as well according to the Provisions of the Supreme People's Court on Several Issues Concerning the Hearing of Administrative Cases Involving the Granting and Affirmation of Trademark Rights (Fa Shi, 2017, p. 2). Under art. 13 of the Trademark Law 2019, one needs to determine whether there exists an indication of association between the trademarks so as to mislead the public and harm the interests of the well-known trademark holder.

## IN THE COURSE OF TRADE

There can only be trademark dilution if the mark was used in the course of trade, in most jurisdictions, but a lack of this is no impediment to get protection under art. 2.20(1)(d) Benelux Convention on Intellectual Property. When the use of a mark is 'noncommercial' in the US, there can be no dilution by blurring or by tarnishment (s. 1125(c)(3)(C)). However, non-commercial parodic use of the mark does not really exist, if one takes a binary approach. For example, the 'Barbie Girl' song, sung by Aqua, is arguably a commercial, but it was also a parody (*Mattel v. MCA Records*, 296 F.3d 894 (9th Cir. 2002)). Then again, one who is using the trademark for parodic purposes is getting attention, which has a market value.

In *Jack Daniels Properties*, the Ninth Circuit held that the use of a mark may be 'noncommercial' even if used to 'sell' a product, if it was a parody.

Not being used in the course of trade is an exception to trademark dilution by blurring in the EU (Arts 5(3)(a), 10(2)(c) and 10(6) Directive (EU) 2015/2436; and Arts 8(5) and 9(2)(c) Regulation (EU) 2017/1001).

In Germany, the courts qualified low commercial income as marginal and therefore as a defence of dilution, for example in the *Bild Dir Keine Meinung* (OLG Hamburg, 4 June 1998, NJW-RR 1990, 1060) asserted that the trademark is not only used commercially, therefore the freedom of art was given priority, as the court did in *Lila Postkarte*. (Federal Court of Justice (BGH), Decision of February 3, 2005 - Az. I ZR 159/02; OLG Hamm AfP 2002, 442).

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### RATIONALE OF DILUTION BY BLURRING

Advocate General (AG) Jacob, in *Adidas v Fitnessworld* (C-408/01, EU:C:2003:404, para. 37) referred to the US lexicon for dilution by blurring as the 'lessening, watering down, debilitating, weakening, undermining, blurring, eroding and insidious gnawing away at a trademark's distinctiveness.' Uniqueness of the source of a trademark for whatever goods or services, has been used as a proxy for the broader term of distinctiveness. Senftleben argued that in regard to a theoretical underpinning of dilution, the link between a trademark and a particular goodwill, is more important than the link between source and good or service (Senftleben, 2009, 70). In 2004, Franklyn criticized that the dilution doctrine under the FTDA relied too much on harm (since the TDRA in 2006, this reliance was diminished). Instead, Franklyn proposed that the basis should be anti-free-riding (Franklyn 2004, 165). Additional theoretical underpinnings could be the desirability of product extension and economies of scale in advertisements for trademark holders, and a reduction in search costs in regard to quality, reliability, and customer service for consumers in case of product extensions by a famous mark (Friedmann, 2016, *passim*).

An alternative rationale for anti-dilution protection, to prevent famous trademarks from becoming generic →generic mark, was rejected by Judge Posner in *Ty Inc. v. Perryman*, 306 F.3d 509 (7<sup>th</sup> Cir. 2002).

### ASSESSMENT OF DILUTION BY BLURRING

According to the European Commission, all Member States have chosen to provide protection against trademark dilution (AG Jacobs in *Adidas v Fitnessworld*, para. 5). The CJEU in *Davidoff* (C-292/00, ECLI:EU:C:2003:9) made clear that if a member state does exercise this option, it must grant to trademark holders with a reputation protection against identical or similar signs for both dissimilar and identical or similar goods and services.

The →Court of Justice of the European Union (CJEU) in *Intel Corp. v CPM UK Ltd* (C-252/07, EU:C:2008:655, 29) held that 'detrimental to the distinctive character of the earlier mark' of Art. 4(4)(a) of Directive 89/104/EEC must be proven by a 'change in the economic behaviour' of the average consumer of the goods/services for which the earlier mark was registered, or a serious likelihood that such a change will occur in the future. Although there is no need to submit evidence of actual detriment, the opponent must convince EUIPO of a serious future risk of detriment which is not merely hypothetical. Further, the CJEU in *Environmental Manufacturing v OHIM* (C-383/12 P, EU:C:2013:741) specified that the meaning of 'change in the economic behaviour of the average consumers', is an autonomous objective condition, which cannot be deduced solely from subjective elements such as how consumers perceive the dispersion of the reputed mark's image and identity. This will 'notably be the case when the earlier mark, which used to cause arouse an immediate association with the goods and services for which it is registered, is no longer capable of doing so.' (*Intel Corp. v CPM UK Ltd*).

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The CJEU in *Intel Corp. v CPM UK Ltd* points out that the more the conflicting marks (1), and the goods or services (2) are similar, the more likely that there is a link between the conflicting marks. The stronger the strength of the senior mark's reputation (3) and the distinctiveness of the mark (4), the more easy it is to find a link, even between dissimilar goods and services. When there is confusion, even though that is not a requirement for dilution, a link is necessarily established.

In *Adidas*, it was held that 'a sign that is viewed as an embellishment by the relevant section of the public is not, in itself, an obstacle to the protection conferred by art. 5(2) of Directive 89/104 where the degree of similarity is none the less such that the relevant section of the public establishes a link between the sign and the mark.' (*Adidas v Fitnessworld*, para. 41). However, where, according to a finding of fact by the national court, the relevant section of the public views the sign purely as an embellishment, it necessarily does not establish any required link with a registered mark (*Adidas v Fitnessworld*, para. 41).

In the US, section 1125(c)(2)(B) of the Lanham Act provides six non-exhaustive factors to determine whether a mark or trade name is likely to cause dilution by blurring: 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.

In contrast, Courts in the Second Circuit consider six factors to determine dilution by blurring under New York law: "(i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; and (vi) the renown of the junior mark."

In China, Article 10 of the Supreme People's Court judicial interpretation on the protection of well-known marks of 2009, provides the following factors that courts should consider whether there is dilution by blurring: 1. the extent to which the well-known mark is distinctive; 2. the extent to which the well-known mark is known to the relevant sector of the public of the goods bearing the mark or enterprise name in suit; 3. the extent to which the goods bearing the well-known mark and those bearing the mark or enterprise name in suit are associated with each other; 4. any other relevant factors.

## DILUTION BY TARNISHMENT

### 1.1 EU

In the EU, trademark dilution by tarnishment is generally described as trademark use that is detrimental to the repute of the earlier trademark. In *Adidas v. Fitnessworld*, the AG argued that 'the concept of detriment to the repute of a trade mark, often referred to as degradation or tarnishment of the mark, describes the situation where – as it was put in the *Claeryn/Klarein* decision of the Benelux Court of Justice – the goods for which the infringing sign is used appeal to the public's senses in such a way that the trade mark's power of attraction is affected.' (*Adidas v Fitnessworld*, para. 38). That case concerned the identically pronounced marks *Claeryn* for a Dutch gin and *Klarein* for a liquid detergent. Since it was found that the similarity between the two marks might cause consumers to think of detergent when drinking *Claeryn* gin, the *Klarein* mark was held to infringe the *Claeryn* mark (*Claeryn/Klarein*, Case A 74/1, judgment of 1 March 1975, Jurisprudence of the Benelux Court of Justice 1975, p. 472).

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**Commented [BJ15]:** EU AG's merely have an advisory function

**Commented [DF16R15]:** Yes, I find its reasoning relevant here.

## 1.2. US

In 1996, in *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497 (2nd Cir. 1996), the Second Circuit provided a definition of dilution by tarnishment under New York's anti-dilution statute: 'A trademark may be tarnished when it is "linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context," with the result that "the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods.' In *Hormel*, the Second Circuit provided examples of such behavior: 'a mark is tarnished when its likeness is placed in the context of sexual activity, obscenity, or illegal activity.'

Since the Trademark Dilution Revision Act of 2006, the Lanham Act defines a federal protection against dilution by tarnishment as an association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark (s. 1125(c)(2)(C)), but does not provide any test.

## 2. Parody

A parody defence parody, based on the First Amendment [note to editors: link to →freedom of expression], was expressly postulated in the US as a fair use defence (s. 1125(c)(3)(A)ii).

In the EU, parody can be implied as a limitation or exception of unfair advantage of or detriment to the distinctive character or repute of the mark, because it can fall within the 'due cause' clause of the Trademark Directive and Regulation in combination with the limited exceptions (provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties) of art. 17 TRIPS. The fact that parody is expressly or impliedly a defence against a claim of trademark dilution means that it still needs to be justified. In other words: that the advantage of a parodic work outweighs the disadvantage of a likelihood of trademark dilution.

The US Trademark Act (Lanham Act) allows parody as a defense against dilution; EU's trademark law allows only dilution by blurring if it is in accordance with 'honest practices in industrial and commercial matters' →honest practices; while China's trademark law does not allow any parody. Some commentators (Senftleben, 2009; Jacob, 2015) have advocated for parody as a right in case of trademark dilution, so that it is aligned with the freedom of expression, in accordance with art 10(1) of the European Convention on Human Rights.

## 2.1 US

In *Louis Vuitton Malletier S.A. v. Haute Diggity Dog*, (LLC, 507 F.3d 252 (4<sup>th</sup> Cir. 2007)), the manufacturer of parodic dog toys Haute Diggity Dog successfully used the defense of parody against the claim of trademark dilution by blurring by LVM. Their use of 'Chewy Vuitton' dog toys juxtaposes the similar and dissimilar of LVM's luxury handbags and 'LOUIS VUITTON' marks, thereby giving an irreverent representation of LVM's idealized image. The Fourth Circuit points out that parody is not automatically a complete defense, where the defendant uses the parody as its own designation of source. By not applying the two-pronged test of *Rogers v. Grimaldi* (875 F.2d 994 (2d Cir. 1989)): 1. the Lanham Act should not be applied unless the use has no artistic relevance; or 2. The use is misleading, the *Haute Diggity Dog* case did not take the requirements of the First Amendment explicitly into account →freedom of expression. The Ninth Circuit has applied an extended version of the *Rogers* test that includes other expressive uses beyond titles, such as in *VIP Products LLC v. Jack Daniel's Properties, Inc.* (953 F.3d 1170 (9th Cir. 2020)), a case between the famous whiskey producer and a dog toy manufacturer. The US Supreme Court will revisit this case in 2023, and decide whether *Rogers* remains valid law.

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Commented [DF18R17]: OK.

Commented [BJ19]: Act? Or non-cap?

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## 2.2 EU

There are no references to parody, caricature, pastiche or comments or freedom of expression in general in any of the provisions of Trademark Directive or Regulation. A study by the Max Planck Institute (...) recommended to include parody as a particular form of criticism or comment, which should also fall into the ambit of an exclusion of protection, as long as it does not contravene honest practices → honest practices (Max Planck Study on the Overall Functioning of the European Trade Mark System, 15 February 2011, 262). Thus, national courts can each decide their own criteria for parody in case of trademark dilution. However, Recitals 27 of Directive (EU) 2015/2436, and 21 Regulation (EU) 2017/1001 state that 'use of a trade mark by third parties for the purpose of artistic expression should be considered as being fair as long as it is at the same time in accordance with honest practices in industrial and commercial matters' → honest practices. Furthermore, the Recitals of the respective Directive and Regulation make explicitly clear that it should be applied in a way that ensures full respect for fundamental rights and freedoms and in particular the freedom of expression → freedom of expression.

In the copyright infringement → copyright infringement case *Johan Deckmyn and Vrijheidsfonds VZW v Helena Vandersteen and Others* (C-201/13, EU:C:2014:2132, paras 20 and 25), the CJEU held that parody is an expression of humour or mockery, and an appropriate way to express an opinion. Parody must strike a fair balance between the right holder and the freedom of expression of the user of a protected work (*Deckmyn*, para. 27). A parody is paradoxically trying to show sufficient similarity to the original trademark, but also sufficient difference to show that it is not, otherwise the consumer will not understand the clue of the joke. However, the same arguably applies in case of trademark law.

In *Swatch*, the relevant public could not establish a sufficient link between 'Swatch' for watches and 'Swatchball' for electronic and optical technology (*Swatch v OHM - Panavision Europe* (T-71/14, EU:T:2015:293). The court held that such a sufficient link was available in *Polo/Lauren Company LP v OHIM* (T-265/13, EU:T:2014:779) where the marks, a polo player on a horse versus a polo player on a bicycle were visually and conceptually similar to a certain extent. The court held that the intervener infringed Article 8(5) Regulation, but did not explicitly explain why this trademark use was 'without due cause' and no parody was allowed. In the EU, so far, parody cannot be used as a defense in regard to dilution by tarnishment.

### FREE-RIDING

Keywords: free-riding, unfair advantage, predatory intent

One of the key moral concepts is that one should not reap where one has not sown. One can argue that free-riding on a famous mark is an unfair advantage, because it is undeserved, unearned, and it arguably does not allow the famous mark holder to capture the full financial benefits of the mark via licensing (Franklyn, 2004). Furthermore, free-riding is undesirable from a competition point of view, where each trader can select her own innovative or fanciful, arbitrary or suggestive name → distinctiveness. If the trader picks a merely descriptive mark → descriptiveness, it can still acquire distinctiveness → secondary meaning, by establishing a connection between the source and the mark, via investments in promotion and advertisement.

The US Trademark Dilution Revision Act (TDRA) does not have any prohibition of free-riding of a famous mark (McCarthy, 2017, s. 24:68). However, Franklyn points out that in cases where there is a free-riding trademark, courts often use dilution doctrine to reject or invalidate the registration of such a trademark, or enjoin its use. Thus, instead of free-riding, the likelihood



of dilutive injury is used. An example is *Thane Intern., Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002). However, in the same year, in *Ty Inc. v. Perryman*, 306 F.3d 509 (7<sup>th</sup> Cir. 2002), the Seventh Circuit gave a hypothetical case of free-riding. Judge Posner wrote:

Suppose the ‘Tiffany’ restaurant in our first hypothetical example is located in Kuala Lumpur and though the people who patronize it (it is upscale) have heard of the Tiffany jewelry store, none of them is ever going to buy anything there, so that the efficacy of the trademark as an identifier will not be impaired. If appropriation of Tiffany’s aura is nevertheless forbidden by an expansive concept of dilution, the benefits of the jewelry store’s investment in creating a famous name will be, as economists say, “internalized”—that is, Tiffany will realize the full benefits of the investment rather than sharing those benefits with others—and as a result the amount of investing in creating a prestigious name will rise.

Some US courts have almost acknowledged the free-rider’s doctrine, when they focus on “predatory intent” (*WaWa v Haaf* 40 U.S.P.Q.2d (BNA) 1629, 1632 (E.D. Pa. 1996), *aff’d* without opinion, 116 F. 3d 471 (3d Cir. 1997)). The omission of free-riding law in the US is odd, according to Franklyn, since it provides a simpler and more compelling rationale for the protection of famous marks (Franklyn, 2004, 138-43).

In the EU, free-riding, also called parasitism →parasitism (*L’Oréal v Bellure* (C-487/07, ECLI:EU:C:2009:37841)), is explicitly prohibited under Arts 5(3)(a), 10(2)(c) and 10(6) of Directive (EU) 2015/2436 →Directive (EU) 2015/2436 and Arts 8(5) and 9(2)(c) of Regulation (EU) 2017/1001 →European Union Trade Mark which state that taking unfair advantage of the distinctive character or the repute of the trademark is free-riding, which does not likely have to cause harm.

AG Jääskinen in his Opinion on *Interflora* held that trademark holders should be able to prevent use of their trademark if an ‘advertiser attempts thereby to benefit from its power of attraction, its reputation or its prestige, and to exploit the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark.’ (*Interflora British Unit v Marks & Spencer plc Flowers Direct Online Limited* (C-323/09, ECLI:EU:C:2011:173, para. 107(2)(B)).

In a case whereby a Polish company applied for registration of the trademark VIAGUARA, it was rejected by OHIM and then the General Court concluded:

that Viaguara S.A., by using a mark similar to the earlier mark [VIAGRA], is attempting to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of that mark in order to create and maintain its image, to promote its own products. Therefore, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of the mark *Viagra* (*Viaguara v OHMI – Pfizer* (T-332/10, ECLI:EU:T:2012:26).

Justice Vos explained that *Ate My Heart Inc. v Mind Candy Ltd.* dealt not with amusingly similar referential names such as “Broccoli Spears”; “Lady Goo Goo” was known on the internet and therefore the name could not be exploited without taking unfair advantage of the Lady Gaga trademark (*Ate My Heart Inc v Mind Candy Ltd & Anr* (Ate My Heart Inc.)(Vos J; [2011] EWHC 2741 (Ch); 10.10.11), para. 50).

Descriptive and nominative fair use →honest practices are also exemptions to free-riding.

In China, Art. 31 of the Trademark Law of 2001, can provide some protection for holders of a famous trademark against junior users that take unfair advantage of their famous mark. On 7 December 2020, the Beijing Intellectual Property Court announced the affirmance of an earlier Trademark Review and Adjudication Board ruling invalidating the Xingning Shixin Lamp Factory's trademark 10995845 for '绿灯侠' ('Green Lantern') designating Class 11 for light bulbs and related goods, for violated the prior rights and interests enjoyed by Warner Bros. Entertainment Inc., which is the producer of the well-known movie 'Green Lantern'. Thus, the lamp factory was free-riding on the fame of the Green Lantern movie.

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