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ANTI-DILUTION/ANTI-FREE-RIDING LAWS IN THE UNITED STATES, CANADA, AND THE EU: BRIDGES TOO FAR?

*By Daniel R. Bereskin, Q.C.**

I. INTRODUCTION

Trademark law in common law countries historically is based on the proposition that no one is entitled to misrepresent his or her goods as the goods of someone else.¹ In general, any misrepresentation that gives a trader the benefit of another's goodwill and damages the owner of the goodwill is actionable under the law of passing off.² From its beginnings in the eighteenth century, when the law of passing off required proof of a misrepresentation likely to lead the public to believe that the goods offered by the defendant are the goods of the plaintiff,³ the meaning of "source confusion" has expanded to include confusion as to whether the plaintiff has authorized or endorsed the defendant's goods or is associated with the defendant in a business sense,⁴ reverse confusion,⁵ initial interest confusion,⁶ and post-

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1. Per Halsbury L.C. in *Reddaway v. Banham*, [1896] A.C. at 204.
2. Per Parker J. in *Burberry v. Cording*, (1909) 26 R.P.C. 693, at 701.
3. *Blanchard v. Hill*, (1742) 2 Atk. 484 (Ch), 26 Eng. Rep. 692, said to be the first equity case clearly involving trademark misuse, and *Hogg v. Kirby*, 32 E.R. 336 (1803). See also Christopher Wadlow, *The Law of Passing-Off* ch. 1 (4th ed. 2011).
4. *Glen-Warren Productions Ltd. v. Gertex Hosiery Ltd.* (1990), 29 C.P.R. (3d) 7, at 12 (F.C.T.D.).
5. *A&W Food Servs. of Canada Inc. v. McDonald's Restaurants of Canada Ltd.*, 2005 FC 406, 40 C.P.R. (4th) 126.
6. *British Columbia Auto. Ass'n v. O.P.E.I.U.*, Local 378 (2001), 10 C.P.R. (4th) 423, paras. 80-96 (B.C.S.C.) (Internet websites). *Masterpiece Inc. v. Alavida Lifestyles Inc.*, 2011 SCC 27, [2011] 2 S.C.R. 387. U.S. case law regarding initial interest confusion is more developed; see 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:6 (4th ed. 2009). In Europe, there has likewise been a number of cases supporting initial interest confusion as infringement: see, e.g., *Och-Ziff Mgmt. Europe Ltd & Anr v. OCH Capital LLP & Ors*, [2010] EWHC 2599 (Ch); *BP Amoco plc v. John Kelly Ltd*, [2002]

purchase confusion.⁷ Until the early part of the twentieth century, passing off law required the goods of the respective parties to be of the same description,⁸ but gradually the courts began to expand the scope of trademark protection even in cases where the respective goods were significantly different.⁹

Commencing in the latter part of the nineteenth century, a number of countries enacted statutes permitting the national registration of trademarks. Registration protects the nascent goodwill symbolized by a new trademark, permits traders to search for potentially conflicting marks prior to launching a new trademark or trade name, and provides the owners of registered marks with several important procedural and substantive advantages.¹⁰ Actions for infringement or passing off require clear evidence of at least a likelihood of confusion, and, in the case of passing off, damage or a likelihood of damage. In general, absent deception or a misrepresentation of some kind, there is no legal wrong.

With the growth of commerce in the twentieth century, some merchants sought to benefit from the cachet of a famous trademark without incurring legal liability, for example by applying the famous trademark to disparate goods or services. In addition, some people began to use famous trademarks in making political statements or to parody famous trademarks, or, in the guise of parody, to use famous trademarks as a beacon for commercial gain.

FSR 5 (NICA (Civ); Whirlpool v. Kenwood, [2008] EWHC 1930 (Ch). Also see various CJEU cases, e.g., Portakabin Ltd. v. Primakabin BV, Case C-558/08 (CJEU July 8, 2010).

7. Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc., 221 F.2d 464 (2d Cir.), *cert. denied*, 350 U.S. 832 (1955). Post-purchase confusion is also recognized in the EU: *see* Arsenal Football Club plc v. Reed, Case C 206/01, [2002] ECR I-10273 (ECJ Nov. 12, 2002).

8. Walter J. Derenberg, *Trade-Mark Protection and Unfair Trading* 397, 409 (1936). *See also* Magazine Repeating Razor Co. of Canada Ltd. et al. v. Schick Shaver Ltd., [1940] S.C.R. 465.

9. Edward C. Lukens, *The Application of the Principles of Unfair Competition to Cases of Dissimilar Products*, 75 U. Pa. L. Rev. 197, 204-05 (1927). *See* Eastman Photographic Materials Ltd. v. John Griffiths Cycle Corp. Ltd. & Kodak Cycle Corp. Ltd. (1898), 15 R.P.C. 105 (KODAK for photographic materials vs. KODAK for bicycles, although it was observed that some cyclists mount cameras on their bicycles); Yale Elec. Corp. v. Robertson, 26 F.2d 972 (2d Cir. 1928); Wall v. Rolls-Royce of Am., 4 F.2d 333 (3d Cir. 1925). *Reddaway v. Banham* no longer is definitive of the ambit of the law of passing off in the U.K.: *see* Arsenal Football Club plc v. Matthew Reed, [2003] EWCA 696, [2003] 3 All ER 865.

10. 3 McCarthy, *supra* note 6, § 19:9. In Canada, a registered trademark is presumed to be valid: TMA § 54; Cross-Canada Auto Body Supply (Windsor) Ltd. v. Hyundai Motor Am., 2007 FC 580, *aff'd*, 2008 FCA 98. Subject to s. 21 (honest concurrent third party use), a valid registration gives the owner the right to the exclusive use of the trademark throughout Canada, and a valid registration can be used as a shield against an infringement or passing off claim: Molson Canada v. Oland Breweries Ltd. (2002), 19 C.P.R. (4th) 201 (C.A. Ont.).

In a famous 1927 *Harvard Law Review* article, “The Rational Basis of Trademark Protection,”¹¹ Frank Schechter proposed that trademark law should include relief from harmful trade practices now called dilution¹² to bridge the gap between traditional common law remedies and the needs of modern commerce. Schechter proposed that the law should provide relief in cases where consumers are not in fact confused, and yet “the use of trademarks on entirely non-related goods may of itself concretely injure the owner of the mark.”¹³ As Schechter saw it, a trademark not only symbolizes goodwill but also serves “as an agency for the actual creation and perpetuation of good will.”¹⁴ Importantly, Schechter saw that proof of damage to the owner of the trademark is an essential ingredient of the wrong he described.

Eventually significant pressure built up demanding the enactment of statutes to enhance trademark protection against unauthorized uses in the absence of any misrepresentation, and concomitant damage to the goodwill symbolized by the trademark. Such laws generally are referred to as anti-dilution and anti-free-riding laws, as exemplified by the U.S. Trademark Dilution Revision Act of 2006 (TDRA),¹⁵ section 22 of the Canadian Trademarks Act¹⁶ (TMA), and Articles 4(4)(a), 5(1)(a), 5(2), and 5(5) of the EU Trade Marks Harmonization Directive (TMD).¹⁷ These statutes have in common that it is not necessary to prove any

11. 40 Harv. L. Rev. 813 (1927).

12. The word “dilution” does not appear in Schechter’s article, but he did use the phrase “gradual whittling away,” which is synonymous with dilution by blurring. Schechter’s article did not refer to tarnishment specifically.

13. Justice Frankfurter recognized the power of brands in his famous statement in *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203 (1942):

The protection of trade-marks is the law’s recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trade-mark is a merchandising short-cut which induces a purchaser to select what he wants, or what he had been led to believe he wants. The owner of a mark exploits this human propensity by making every effort to impregnate the atmosphere of the market with the drawing power of a congenial symbol. Whatever the means employed, the end is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress.

14. *Id.* at 818. See also Robert G. Bone, *Schechter’s Ideas in Historical Context and Dilution’s Rocky Road*, 24 Santa Clara Computer & High Tech. L.J. 469 (2007-2008).

15. 15 U.S.C. § 1125(c) (2006).

16. R.S.C. 1985 ch. T-13, as amended.

17. Directive 89/104/EE, repealed by Directive 2008/95/EC. Article 5(2) has been adopted by all Member States of the EU, but Article 5(5), which is broader, has to date been reflected only in Benelux law, in Article 2.20.1(d) of the Benelux Convention on Intellectual Property (BVIE).

misrepresentation in order to obtain relief. They treat trademarks as property rights to a far greater extent than at common law. Interestingly, neither NAFTA¹⁸ nor TRIPS¹⁹ requires anti-dilution or anti-free-riding measures.

Dilution can result in two kinds of potential harm, generally referred to as “blurring” and “tarnishment.”²⁰ Blurring occurs when the use of the defendant’s mark is likely to diminish the distinctive quality of the plaintiff’s mark even if there is no likelihood of confusion. Tarnishment occurs when the defendant’s use of the plaintiff’s mark offends the image projected by the mark to consumers. For example, the use of KODAK for pianos could cause dilution through blurring and would entitle the plaintiff to an injunction even if no one is confused into believing that Eastman Kodak Company produced the defendant’s pianos, or authorized, approved, or endorsed them. If a defendant uses the trademark KODAK for a pornographic Internet site, this would tarnish the image associated with the trademark KODAK and entitle Eastman Kodak Company to an injunction irrespective of any likelihood of confusion. Conversely, if the use of KODAK for pianos or a disparaging use of KODAK causes confusion with Eastman Kodak’s KODAK trademark, this could erode the distinctiveness of the KODAK trademark and be subject to an injunction, in which case a dilution remedy would not be necessary.²¹

Schechter used the example of the famous trademark ROLLS-ROYCE to support his argument for extended trademark protection: “If you allow ROLLS-ROYCE restaurants and ROLLS-ROYCE cafeterias, and ROLLS-ROYCE pants, and ROLLS-ROYCE candy, in ten years you will not have the ROLLS-ROYCE mark any more.”²² That said, given the current scope of trademark law at least in the United States, Canada, and the United Kingdom and the fame and uniqueness of the ROLLS-ROYCE trademark, the owner of the ROLLS-ROYCE trademark does not

18. North American Free Trade Agreement, <http://www.nafta-sec-alena.org/>.

19. Agreement on Trade-Related Aspects of Intellectual Property Rights, http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm.

20. Schechter’s article did not specifically refer to tarnishment, but this appears to be what he meant.

21. *Beacon Mut. Ins. Co. v. OneBeacon Ins. Group*, 376 F.3d 8, 20 (1st Cir. 2004); *Jada Toys Inc. v. Mattel, Inc.*, 518 F.3d 628, 636 (9th Cir. 2008). For a contra view on the effect of dilution, see John Shaefner, *Trademark Infringement and Dilution Are Different—It’s Simple*, 100 TMR 808 (2010).

22. Hearings before the House Comm. on Patents, 72d Cong., 1st Sess. 15 (1932), quoted in David S. Welkowitz, *Reexamining Trademark Dilution*, 44 Vand. L. Rev. 531, 539 (1991). The law has evolved since Schechter’s article was published: examples such as those given here may well lead to a likelihood of confusion despite the gap in the respective goods and services.

need to rely on dilution law in order to prevent unauthorized use of the ROLLS-ROYCE trademark on virtually any goods or services. In addition, very few marks are as famous and as unique as KODAK and ROLLS-ROYCE, so one should be cautious about applying examples such as these to trademarks of lesser fame and uniqueness. For example, the trademark CADILLAC for automobiles and accessories remains a powerful brand even though there are many other trademark and trade name uses of CADILLAC for dissimilar goods, services and businesses such as restaurants, coffee, pet food, shoe care products, etc. Schechter saw that uniqueness and the scope of protection to be afforded to a famous trademark are closely interrelated: absent uniqueness, it is difficult to see how the owner of a famous trademark can be damaged in the absence of any likelihood of confusion.

The European Union (EU) goes one step further. Article 5(2) of the TMD prohibits use of a sign “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.” This proscription protects trademarks not only against blurring and tarnishment, but also against acts that are considered to take “unfair advantage” of the distinctive character or repute of the trademark, i.e., free-riding. The boundaries of this “wrong” are not yet clear, although the legislation seems to be aimed at the protection of the investments of trademark owners in advertising and promoting their brands, as Schechter thought U.S. law should do. It should be noted that whereas Schechter saw the necessity of proving injury to the trademark owner as a condition for relief, under the TMD the offence of taking “unfair advantage” of the distinctive character or repute of a trademark merely requires proof that the unauthorized user benefits from such use irrespective whether the trademark owner suffers any harm or is likely to do so. Also, an action based on taking “unfair advantage” of the distinctiveness or repute of a prior mark without “due cause” can lie irrespective of whether the defendant is using the prior mark (or a variation thereof) as a trademark, contrary to the requirements of the TDRA.

If the registered trademark ROLLS-ROYCE is used in an advertisement for a wristwatch without the consent of the owner of the ROLLS-ROYCE trademark, this could create a favorable association in the mind of the public between the exclusiveness and excellence of ROLLS-ROYCE motor cars and the advertised wristwatch. Arguably this would offend Article 5(2) of the TMD, and could also be likely to cause confusion because of the implied message of endorsement. In contrast, such an advertisement would not likely be actionable under the TDRA as dilution by either blurring or tarnishment because the advertisement for the

wristwatch is not a “use in commerce,” although likely it is actionable on other grounds.²³

The line between blurring and free-riding is not always clear. A number of U.S. “blurring” cases arguably deal with free-riding even though that expression (or the phrase “taking unfair advantage of”) is absent from the TDRA.²⁴ Although Schechter did not use the term “free-riding,” he did observe that the owner of a strong mark “should receive the same protection from the courts for his investment in advertising his trade mark that he would undoubtedly be entitled to receive for investment in plant and materials.”²⁵ The law long has recognized that goodwill is a property right worthy of protection, but it is a major step to argue that an investment in advertising likewise is worthy of protection. The absence of any specific free-riding protection in U.S. law comparable to Article 5(2) of the TMD does not appear to have adversely affected advertising investments in the United States.

In Canada, the law has not yet been developed sufficiently to determine the limits of section 22 of the TMA, although its limits may extend beyond blurring and tarnishment.²⁶ It is worth noting that U.S. trademark law is broader than EU law in relation to source confusion and is more narrow than EU law in relation to dilution.²⁷

Critics maintain that anti-dilution and anti-free-riding laws have the potential for anticompetitive results: they treat trademarks as property rights without defining the metes and bounds of such rights. Whereas proscribing conduct that is likely to confuse is beneficial to consumers as well as to trademark owners, demonstrating harm to consumers caused by dilution is much more difficult. Critics also point out a separate blurring remedy may be redundant; in many cases where dilution by blurring can be made out, the use of the accused trademark would also be likely to cause confusion. Thus, relief from blurring often is not necessary. Also, the detractors point to the potential collision

23. The advertisement could be actionable if it falsely suggests endorsement by the owner of the ROLLS-ROYCE trademark, or if it constitutes initial interest confusion, for example. Also, the situation under the TDRA could be different if the advertisement is for a service, such as hotel services, assuming no connection between the provider of the service and the owner of the ROLLS-ROYCE trademark.

24. See Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 Hastings L.J. 118 (2004).

25. *Id.* at 171.

26. *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée.*, [2006] 1 S.C.R. 824, ¶ 67.

27. See Marcus H.H. Luepke, *Taking Unfair Advantage or Dilution of a Famous Mark—A 20/20 Perspective on the Blurred Differences Between U.S. and E.U. Dilution Law*, 98 TMR 789 (2008).

between tarnishment, free speech, and free expression, and that in many cases the defendant's "use" is not primarily a commercial use and therefore is or should be out of the reach of dilution proscriptions.

Defenders of such laws say that achieving significant brand recognition on a national scale requires an enormous expenditure of time and money, that the public benefits from the economic growth of businesses for which famous trademarks are key assets, and that it is unfair to permit another to ride on the coattails of such hard-earned goodwill even in the absence of any express or implied misrepresentation. Also, defenders argue that dilution laws preserve the clarity of brand messages and prevent consumers from making "burdensome associations" between unconnected products.²⁸ Even if a particular offending use is on a small scale, trademark owners rightly are concerned about the possibility of "death by a thousand cuts."

Determining where to draw the line between protecting the distinctiveness of a famous trademark and assuring freedom of competition and freedom of expression is a daunting challenge. The result is contradictory reported cases that often are difficult to reconcile.

In addition, to the extent that a trademark has become famous, it may enter the common vocabulary of the public. This does not mean that famous trademarks become generic; rather, it means that a famous trademark can achieve iconic status that makes it part of the cultural and social fabric of a society, as in the case of COCA-COLA and KLEENEX. Owners of famous trademarks rightly are concerned when they find their trademarks listed in a dictionary, even if they are identified as such, but the reason for their inclusion is that they are considered part of everyday language. The price one pays for fame is acceptance of the reality that famous trademarks often are used for the purpose of making social, cultural, or political statements. Trademark owners who try to beat down such expressions do so at their peril, especially if such expressions are of a non-commercial nature.²⁹

This article compares anti-dilution and anti-free-riding statutes of the United States, Canada, and the EU, discusses how

28. See Gangjee & Burrell, *Because You're Worth It: L'Oréal and the Prohibition on Free Riding*, 73(2) Mod. L. Rev. 282 (2010).

29. See Nadia Plesner v. Louis Vuitton Malletier SA, No. KG ZA 11-294 (Court of The Hague May 4, 2011). Louis Vuitton sued a young Danish artist, Nadia Plesner, for the depiction of a Louis Vuitton bag in a painting entitled "Darfurnica." This prompted numerous Internet outbursts in favor of the artist, such as the following: "In a deeply disturbing case, soulless fashion giant Louis Vuitton bares its fangs, or rather its over-dimensional wallet, at a philanthropically engaged arts student from Denmark." <http://cbsmth.se/politics/darfurnica-idealist-attacked-by-fashion-giant/>.

courts have grappled with competing private and public interests, and assesses whether the respective statutes properly balance these competing interests. The author notes that deficiencies exist in all such laws and that they differ markedly even though they all address similar issues. Given the low probability that these statutes will change in the near future, it remains the courts' responsibility to assure that injunctive and monetary relief is granted only where such relief is consistent both with the public interest in free competition and with free expression and with the interests of traders. The article concludes with a list of conditions for enforcement of dilution law that is an amalgam of what the author considers the best aspects of the legislation in the respective regions.

II. ANTI-DILUTION LAW IN THE UNITED STATES

A. Brief History of Federal Dilution Law

Although the Schechter article stimulated a certain degree of judicial and scholarly discourse, U.S. courts and legislatures lagged behind in giving his theories practical effect. Nonetheless, in several notable cases trademark owners obtained injunctions despite substantial gaps in the respective goods or services.³⁰ In 1947, the United States enacted its first anti-dilution statute, in the state of Massachusetts. Other states followed soon thereafter.³¹

Dilution was not part of federal trademark law until 1995 when the Federal Trademark Dilution Act of 1995 (FTDA) was enacted.³² Although this was seen widely as a positive development, many courts interpreted the FTDA narrowly. The catalyst for legislative change came with the decision of the U.S. Supreme Court in *Victoria's Secret*,³³ where the trademark owner failed to obtain injunctive relief against the defendant's use of the name VICTOR'S LITTLE SECRET for a store selling lingerie and sex toys, on the ground that the FTDA required proof of actual dilution, not merely a likelihood of dilution.

30. See, e.g., *Tiffany & Co. v. Tiffany Prods.*, 264 N.Y.S. 459 (Sup. Ct. 1932); *Wall v. Rolls-Royce of Am.*, 4 F.2d 333 (3d Cir. 1925); *Alfred Dunhill of London, Inc. v. Dunhill Shirt Shop, Inc.*, 3 F. Supp. 487 (S.D.N.Y. 1929).

31. For an excellent history of the development of U.S. dilution law, see Robert G. Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 Santa Clara Computer & High Tech. L.J. 469 (2007-2008).

32. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98 (H.R. 1295, S. 1513), 109 Stat. 505 (1995), enacted Jan. 16, 1996, repealed by the TDRA.

33. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

Following the *Victoria's Secret* case, the TDRA amended U.S. federal dilution law,³⁴ allowing relief from dilution provided the plaintiff could prove at least a likelihood of dilution. Given the practical impossibility of proving actual dilution, this was seen by trademark owners as a positive development. Under the TDRA, the trademark owner in *Victoria's Secret* obtained an injunction against the use of VICTOR'S LITTLE SECRET,³⁵ albeit on the ground of tarnishment, not blurring. It remains to be seen, though, whether trademark owners are better off under the TDRA than the FTDA.

B. Proof of Dilution Under the TDRA

In order to qualify for protection under the TDRA, the plaintiff's trademark (which need not be registered) must satisfy the following criteria: (1) the mark must be widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner,³⁶ (2) the mark must be inherently distinctive or have acquired distinctiveness, and (3) the use of the defendant's mark must cause or be likely to cause blurring or tarnishment. Dilution can be found irrespective of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. The TDRA applies to "use of a mark or trade name in commerce"³⁷ that causes or is likely to cause dilution after the owner's mark has become famous. The use of the accused mark or name must be a commercial use of a kind for which Congress has legislative jurisdiction under the Commerce Clause of the U.S. Constitution.³⁸ In the case of a

34. Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (2006).

35. *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008).

36. H.R. 683, 109th Cong. (2006). This requirement rules out "niche" fame, but it is open to debate as to what is meant by "general consuming public." For a list of marks judged to be "famous" under the TRDA, see Shari Seidman Diamond, *Trademark Dilution: Of Fame, Blurring and Sealing Wax, With a Touch of Judicial Wisdom*, 24 Santa Clara Computer & High Tech. L.J. 521, 531 (2008).

37. "Use in commerce" is defined in 15 U.S.C. § 1127 as "the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—(1) on goods when—(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and (B) the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services." "In commerce" means commerce that the United States Congress is authorized to regulate pursuant to Article I, Section 8, clause 3 of the Constitution.

38. U.S. Const. art. I, § 8, cl. 3.

trademark, the use must qualify as trademark use, i.e., use for the purpose of distinguishing the user's goods or services. The TDRA applies to registered and unregistered word and design marks, and also to trade dress that otherwise qualifies for protection.³⁹

The TDRA does not specify the degree of notoriety required to prove that a mark is famous, although fame only in a niche market is insufficient.⁴⁰ In some cases, even if it is questionable that the mark is "widely recognized by the general consuming public," the mark is found likely to be diluted.⁴¹ The court's sense of fairness and justice tends to play a role in any trademark case. It may be easier to convince a court that a mark is sufficiently famous as to be entitled to dilution protection if the defendant's conduct is considered to be illegal or immoral, such as when the defendant's goods are contraband, are counterfeit, or relate to sex, drugs, or violence.⁴²

In any event, fame without a high degree of uniqueness is unlikely to support a successful claim of dilution by blurring. The trademark DELTA for airline services no doubt is familiar to millions of people throughout the United States, but despite its fame, DELTA for airline services is not diluted by DELTA for household faucets because the trademark DELTA is not unique. Conversely, the widespread use and advertising of DELTA household faucets do not appear to have had any adverse effect on the goodwill of the DELTA trademark for airline services. Schechter stressed that the degree of protection to be afforded to a trademark should depend on the extent to which the trademark in fact is unique and different from other marks.⁴³

It is questionable whether the TDRA makes it easier for trademark owners to succeed.⁴⁴ Under the TDRA, the starting point is proving that the mark is "widely recognized by the general consuming public," the meaning of which is not entirely clear.⁴⁵

39. Hershey Co. v. Art Van Furniture, Inc., No. 08-cv-14463 2008 U.S. Dist. LEXIS 87509 (E.D. Mich. Oct. 24, 2008).

40. By "niche market" is meant a relatively small, specific segment of the general market for goods and services, for example, the specialized market for high-end wrist watches. *See Argus Research Grp., Inc. v. Argus Media, Inc.*, 562 F. Supp. 2d (D. Conn. 2008). *See also Diamond, supra* note 36.

41. *See, e.g., Harris Research, Inc. v. Lydon*, 505 F. Supp. 2d. 1161, 1164 (D. Utah 2007); *Pet Silk, Inc. v. Jackson*, 481 F. Supp. 2d 824 (S.D. Tex. 2007); *Diane Von Furstenberg Studio v. Snyder*, No. 1:06cv1356 (JCC), 2007 U.S. Dist. LEXIS 66633 (E.D. Va. Sept. 10, 2007). *Contra Heller Inc. v. Design Within Reach, Inc.*, 2009 U.S. Dist. LEXIS 71991 (S.D.N.Y. Aug. 14, 2009).

42. *Diane Von Furstenberg*, 2007 U.S. Dist. LEXIS 66633 (E.D. Va. Sept. 10, 2007).

43. 40 Harv. L. Rev. at 820.

44. *Id.*

45. There is at least some support for the conclusion that a mark must be a "household name" to justify dilution protection: *see American Mensa, Ltd. v. Inpharmatica, Ltd.*, 2008

Even if the owner's mark is famous, and the mark is inherently distinctive or has acquired distinctiveness, it is unique or is relatively unique, and the public associates the accused mark with the owner's mark, the trademark owner still must prove that the use of the accused mark is likely to adversely affect the distinctiveness of the owner's mark.⁴⁶ This is easier to say than to prove. Nonetheless, if a mark is truly famous and the accused mark is identical, some courts presume that dilution is likely.⁴⁷

Ironically, the very fame of the owner's mark may make it harder to prove that it would suffer any depreciation of the goodwill it symbolizes. The more famous the trademark, the more its fame tends to shield the mark against dilution. Conversely, if no source confusion exists, and the image of the famous mark is not tarnished, it is unlikely that a truly famous mark would suffer much, if any, depreciation of goodwill. If a mark is both famous and unique, such as KODAK or ROLLS-ROYCE, it is probable that source confusion would result from unauthorized use of identical or closely similar marks, thus obviating the need for a dilution remedy. As the case law discussed below indicates, although injunctive relief is appropriate to restrain blurring in the absence of any source confusion, such cases are relatively uncommon.

C. Exclusions

Blurring and tarnishment will not be found in certain situations. Specifically, any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with (i) advertising or promotion that permits consumers to compare goods or services⁴⁸ or (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner, or the goods or services of the famous mark owner; all forms of news reporting and news commentary; and, any noncommercial use of a mark precludes a finding of tarnishment or blurring. In addition to the above exceptions, the First Amendment to the U.S.

U.S. Dist. LEXIS 99394 (D. Md. Nov. 6, 2008). See also Vallavista Corp. v. Amazon.com, Inc. et al., Case No. C 07-05360 WHA, 2008 U.S. Dist. LEXIS 100058 (N.D. Cal. Dec. 11, 2008); Jada Toys v. Mattel, Inc., 518 F.3d 628 (9th Cir. 2008).

46. Volkswagen AG and Volkswagen Am. v. Dorling Kindersley Publ'g, Inc., 614 F. Supp. 2d 793 (E.D. Mich. 2009); Louis Vuitton v. Dooney & Bourke Inc., 561 F. Supp. 2d 368 (S.D.N.Y. 2008).

47. Audi AG v. Shokan Coachworks, Inc., 2008 U.S. Dist. LEXIS 92021 (N.D.N.Y. Nov. 12, 2008). Whether this should be so is debatable: see J. Thomas McCarthy, *Dilution of a Trademark: European and United States Law Compared*, 94 TMR 1163, 1168 (2004), for commentary on conflicting judicial views.

48. Tiffany, Inc. v. eBay, Inc., 576 F. Supp. 2d 463 (S.D.N.Y. 2008).

Constitution protects rights of artistic expression. Striking a balance between these defenses and the rights of trademark owners to protect their famous brand's image is a difficult challenge, particularly when an impugned expression has both artistic and commercial aspects, or if it constitutes fair comment on the famous mark or the product with which it is associated. Notwithstanding the numerous safeguards built into the TDRA to protect the interests of the public, there is some risk that the expansion of rights under the TDRA is at the expense of the public interest in free expression.⁴⁹

The TDRA also bars both state and federal actions for dilution in cases where the accused mark is the subject of a valid federal trademark registration.⁵⁰ It has been argued that this is due to a legislative drafting error.⁵¹

D. Blurring Under the TDRA

The TDRA defines "dilution by blurring" as "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark."⁵² The following non-exhaustive list of factors can be considered by the court in determining blurring: (i) the degree of similarity between the mark or trade name and the famous mark; (ii) the degree of inherent or acquired distinctiveness of the famous mark; (iii) the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark; (iv) the degree of recognition of the famous mark; (v) whether the user of the mark or trade name intended to create an association with the famous mark, and (vi) any actual association between the mark or trade name and the famous mark. Note that these "factors" individually are not conditions precedent to a finding of blurring. For blurring, the TDRA does not explicitly require the public to associate the famous mark and the accused mark, although association appears to be required to prove dilution by tarnishment.⁵³

The TDRA requires proof that the trademark is widely recognized by the general consuming public of the United States, rather than proof of association in fact in the mind of the public between famous and accused marks. This is curious, considering

49. Michael K. Cantwell, *Confusion, Dilution and Speech: First Amendment Limitations of the Trademark Estate: An Update*, 94 TMR 547, 583 (2004).

50. 15 U.S.C. § 1125(c)(6).

51. See Timothy A. Lemper & Joshua R. Bruce, *The Dilution Defense Congress Never Meant to Create (and Needs to Fix)*, 101 TMR 1580 (2011).

52. 15 U.S.C. § 1125(c)(2)(B).

53. See Part E, below, for definition of dilution by "tarnishment."

that the definition of “dilution by blurring” refers to “association arising from the similarity between a mark or trade name and a famous mark” (emphasis added). It is left to the court to determine whether such association exists, when in reality it is what the public actually thinks that should be the most important factor. How can there be any diminution of the distinctiveness of a famous mark, or any harm to the goodwill symbolized by the famous mark, unless the public in fact links the accused mark with the famous mark? Such linkage should be a condition precedent to a finding of dilution by blurring, and not merely a factor to be considered in determining whether there is a likelihood of dilution.

It is conceivable that the emphasis on wide recognition “by the general consuming public” was prompted by an overabundance of spurious actions brought under the FTDA based on niche fame. In the author’s view, trademarks that are famous only in a particular niche should be entitled to dilution protection if there is a high enough degree of association between the famous mark and the accused mark among consumers in that niche, and the trademark is unique or virtually unique. Also, if the TDRA is interpreted to require a significant degree of linkage, i.e., by a majority of consumers in the niche in which the plaintiff’s mark is famous, it is likely that only those marks that attain a high degree of fame at least within that niche are entitled to dilution protection. It is submitted that requiring a high degree of linkage is a better prerequisite for dilution protection than proof that the mark is “widely recognized by the general consuming public.”

As indicated above, “dilution by blurring” is a separate and distinct offense from infringement.⁵⁴ Nonetheless, the majority of trademark cases that allege dilution also allege infringement,⁵⁵ and in many cases both infringement and dilution by blurring have been found to exist on the same facts.⁵⁶ Since the TDRA came into force, injunctions have been issued in only a few cases on the sole ground of dilution by blurring, absent any likelihood of confusion.⁵⁷

54. John Shaeffer, *Trademark Infringement and Dilution Are Different—It's Simple*, 100 TMR 808 (2010). Shaeffer doubts that a mark simultaneously can be likely to cause confusion and be likely to cause dilution.

55. Justin J. Gunnell, *Goldilocks and the Three Federal Dilution Standards: An Empirical Review*, 17 Tex. Intell. Prop. L.J. 101, 133-41 (2008). See also Dallas Cowboys Football Club, Ltd. v. America’s Team Props., Inc., 616 F. Supp. 2d 622 (N.D. Tex. 2009), where “blurring” was defined as “a diminution in the uniqueness or individuality of a mark because of its use on unrelated goods.” In the same case the court found that the defendant’s activities were likely to cause confusion.

56. R.J. Reynolds Tobacco Co. v. Premium Tobacco Stores, Inc., 71 U.S.P.Q.2d 1670 (N.D. Ill. 2004) (“gray market” cigarettes, while legitimate, differed materially from the cigarettes sold domestically by the plaintiff).

57. See, e.g., Nike, Inc. v. Nikepal Int’l, Inc., 84 U.S.P.Q.2d 1820 (E.D. Cal. 2007) (NIKE v. NIKEPAL); Nat’l Pork Board & Nat’l Pork Producers Council v. Supreme Lobster

The *Visa* case exemplifies this problem.⁵⁸ In that case, Visa sought to restrain the use of eVisa. The defendant argued that its use of eVisa evoked the dictionary word “visa” to Japanese people planning to visit English-speaking countries. The court found a likelihood of dilution in the absence of confusion between eVisa and Visa. If decided correctly,⁵⁹ it follows that many non-dictionary commercial uses of “visa” could be vulnerable to injunctive relief on the ground of dilution by blurring, which seems a stretch.⁶⁰

Where the trademark owner’s famous mark and the accused mark are identical, some courts presume actual or likely dilution unless the defendant can prove the contrary.⁶¹ A better approach would be to determine the extent to which the two marks are associated in the mind of the public. If such association exists, the plaintiff still must prove a likelihood of dilution. Where the plaintiff’s mark is not unique, it would be the rare case that dilution could be proven, given the plethora of famous marks such as DELTA that exist side by side with identical or closely similar marks for disparate goods or services. That said, if the plaintiff can demonstrate that the defendant intended to associate the accused mark with the famous mark, it should be a small step to prove that the defendant successfully created a likelihood of dilution.

It is probable that many actions are commenced or are threatened based on alleged dilution and that many defendants do not find it in their economic interest to resist. Therefore, a dilution action can be an important weapon in the hands of trademark owners who use litigation or threats of litigation as a tactic for achieving results that are unlikely to be available at law. If the trademark owner is primarily motivated to curb competition, the public interest in freedom of competition will surely suffer. This is particularly true when a plaintiff brings a dilution action against a competitor engaged in the sale of similar goods. This is hardly the situation that Schechter sought to remedy when he proposed relief from dilution.

& Seafood Co. (T.T.A.B. Opposition No. 91166701 June 11, 2010) (THE OTHER WHITE MEAT vs. THE OTHER RED MEAT).

58. VISA Int’l Serv. Ass’n v. JSI Corp., 610 F.3d 1088 (9th Cir. 2010).

59. See Eric Goldman, *Technology & Marketing Law Blog* (July 6, 2010).

60. Certainly, there are non-commercial uses of “evisa” that could not affect the distinctiveness of the VISA trademark: see, for example, the URL of the U.S. Department of State, evisaforms.state.gov. Likewise, if the defendant in the *eVisa* case had used eVisa as a descriptor, it could not have been enjoined.

61. Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp., 689 F. Supp. 2d 585, 598 (S.D.N.Y. 2010) (quoting *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 452-53 (2d Cir. 2004)). See Theodore H. Davis, Jr. & Jordan S. Weinstein, 101 TMR (*United States Annual Review*) 518-19 (2011).

A case in point is *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*⁶² Levi Strauss sued Abercrombie & Fitch for trademark infringement and for dilution under the TDRA. The complaint alleged similarities between the Levi Strauss design (a registered trademark) applied to jeans pockets (the “Arcuate design”) and the Abercrombie & Fitch Ruehl design, shown below.



Levi Strauss
Arcuate Design



Abercrombie & Fitch
Ruehl Design

At trial, the jury found that there was no likelihood of confusion. The district court judge ruled against Levi Strauss, finding that the two designs had to be identical or nearly so in order to support a dilution claim. This was the test under the FTDA. Levi Strauss appealed this decision to the Court of Appeals for the Ninth Circuit, which allowed the appeal on this point and remanded the case to the district court for adjudication of blurring according to the correct standard of “similarity” under the TDRA. One would have thought that the evidence of one’s eyes is sufficient to determine that the respective designs are not similar. In any case, what possible relevance can “similarity” have in the absence of proof that the public associates the respective marks?

A similar result occurred earlier in *Starbucks*,⁶³ where the Second Circuit reversed a district court’s finding that no action for dilution would lie unless a “substantial similarity” between the prior mark and the accused mark existed. The appellate court also found that proof of intent to associate the accused mark and the prior mark favors a finding of likelihood of dilution, disagreeing with the district court that such intention requires proof of bad faith. In addition, the appellate court decision indicates that the absence of any likelihood of confusion does not militate against a finding of a likelihood of dilution. The issue of dilution by blurring therefore was remanded to the district court. As indicated above, a

62. 633 F.3d 1158 (9th Cir. 2011).

63. *Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009).

better approach would require proof of an association between the prior mark and the accused mark as a condition precedent to a finding of blurring, instead of specifying that “association” is merely a surrounding circumstance.

The TDRA provides that dilution may occur irrespective of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. Plainly, marks that are not particularly distinctive or unique are poor candidates for dilution protection.⁶⁴

“Fair use” defenses apply to dilution actions based on blurring as well as tarnishment. The defendant successfully raised the defense of parody in *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*.⁶⁵ There, the defendant sold chewy dog toys marked with obvious parodies of famous marks, including CHEWY VUITON, CHEWNEL NO. 5, and SNIFFANY & CO., among others. Louis Vuitton sued for trademark infringement and dilution based on blurring and tarnishment. The infringement complaint failed because no likelihood of confusion existed; consumers regarded CHEWY VUITON as a parody. The court held that the use of CHEWY VUITON and variations of Louis Vuitton designs poked fun at the prestigious Louis Vuitton products and constituted a satirical statement concerning conspicuous consumption; in those circumstances no dilution was found to exist.⁶⁶ Notwithstanding the apparent success of the CHEWY VUITON products (perhaps fueled in part by the notoriety caused by the litigation), LOUIS VUITTON remains a powerful brand.

E. Tarnishment Under the TDRA

The TDRA defines “dilution by tarnishment” as “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.”⁶⁷ The same “fair use” exclusions referred to above in relation to blurring apply to tarnishment, but unlike the definition of “dilution by blurring,” there is no list of factors the court can take into consideration in determining dilution by tarnishment. It therefore appears that proof of association is a condition precedent to proving dilution by tarnishment. Chief among the fair use exclusions are “identifying and parodying, criticizing, or

64. *Miss Universe, L.P. v. Villegas*, 672 F. Supp. 2d 575 (S.D.N.Y. 2009) (MISS ASIA USA is not likely to dilute MISS USA).

65. 507 F.3d 252 (4th Cir. 2007).

66. *Id.* at 260-61. Also, in dismissing the dilution by blurring complaint, the court observed that “these uses by Haute Diggity Dog were not so similar as to be likely to impair the distinctiveness of LVM’s famous marks.” *Id.* at 268.

67. 15 U.S.C. § 1125(c)(2)(C).

commenting upon the famous mark owner or the goods or services of the famous mark owner.”

The leading case is *V Secret Catalogue, Inc. v. Moseley*.⁶⁸ Victor and Kathy Moseley operated a sex shop under the trademark and name VICTOR'S LITTLE SECRET, an obvious play on the famous trademark VICTORIA'S SECRET, which is used as the house mark and name of a chain of stores specializing in the sale of women's lingerie, clothing, and accessories. As indicated above, when the action first commenced against the Moseleys under the FTDA, the case reached the Supreme Court of the United States. The Court ruled against the plaintiff on the ground that the FTDA required proof of actual dilution, not merely a likelihood of dilution. The TDRA in effect reversed the Supreme Court's decision by reducing the required proof to mere likelihood of dilution. Following the TDRA's enactment, the plaintiff again sued the Moseleys, and this time was successful on the ground of tarnishment. The appellate court affirmed the trial court's decision. It is likely that the finding of a likelihood of dilution occurred as a result of the relationship between the defendant's mark and name and products deemed to be “lewd” or “bawdy.”⁶⁹ In effect this shifted the burden of proving the contrary to the Moseleys, which they did not or were unable to do. It is debatable whether the TDRA requires this burden shifting, even if the nature of the defendant's usage is offensive to one's sense of propriety.⁷⁰

Trademark owners often are unsuccessful in proving dilution resulting from tarnishment⁷¹ when trademark rights are confronted by genuine parody, freedom of speech, or freedom of artistic expression defenses.⁷² In addition to requiring proof of

68. *V Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d 1092 (W.D. Ky. 2000) (*Moseley I*), *aff'd*, 259 F.3d 464 (6th Cir. 2001) (*Moseley II*), *rev'd*, 537 U.S. 418 (2003) (*Moseley III*), *on remand*, 558 F. Supp. 2d 734 (W.D. Ky. 2008) (*Moseley IV*), *aff'd*, 605 F.3d 382 (6th Cir. 2010) (*Moseley V*), *cert. denied*, 113 S. Ct. 113 (2011).

69. The court stated that “there appears to be a clearly emerging consensus in the case law that the creation of an ‘association’ between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power.”

70. Theodore H. Davis, Jr. & Jordan S. Weinstein, 101 TMR (*United States Annual Review*) 518, 519 (2011). *See also* Pfizer Inc. v. Sachs, 652 F. Supp. 2d 512 (S.D.N.Y. 2009) (VIVA VIAGRA for a “decommissioned missile” held to tarnish VIAGRA for a pharmaceutical for treating erectile dysfunction).

71. *See, e.g.*, Sly Magazine, LLC v. Weider Publ'ns L.L.C., 529 F. Supp. 2d 425 (S.D.N.Y. 2007).

72. *See, e.g.*, Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97 (2d Cir. 2009) (STARBUCKS v. CHARBUCKS); Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007) (the plaintiff alleged its marks could be tarnished if dogs choked on the defendant's chew toys, but there was no evidence that any dog had done so); MasterCard Int'l Inc. v. Nader 2000 Primary Comm. Inc., 70 U.S.P.Q.2d 1046 (S.D.N.Y.

fame and avoiding the free speech exceptions contained in the TDRA, the plaintiff must also prove that the accused mark is likely to harm the reputation of the famous mark. This is not an easy feat even if fame and association are established.⁷³ Exceptions occur where the accused mark is associated with sex⁷⁴ or contraband⁷⁵ or otherwise is considered to be offensive to morality.

F. Critique of U.S. Dilution Law

As indicated above, the TDRA is primarily intended to benefit the interests of trademark owners, not the public. This may explain in part why some jurists are cautious about applying the TDRA. Several considerations suggest why they are right to do so.

First, by allowing dilution actions in cases involving similar goods, dilution law under the TDRA has the potential for use as an anti-competitive weapon, rather than a tool to protect the distinctiveness of a famous trademark from unfair encroachment.

Second, in theory the TDRA can be invoked in respect of blurring, irrespective of whether the public in fact associates the accused mark with the owner's mark. As the law reads, "association" is only one factor militating in favor of a finding of dilution by blurring, not a condition precedent as it ought to be, and at least as important as fame. As indicated above, it is difficult to understand how the distinctiveness of the owner's mark can be affected adversely if at least a significant portion of the public does not in fact link the accused mark and the famous mark.⁷⁶

2004); *Anheuser-Busch, Inc. v. VIP Prods., LLC*, 666 F. Supp. 2d 974 (E.D. Mo. 2008) (*BUDWEISER v. BUTTWIPER*) (no dilution but finding of infringement. For an excellent review of pre- and post-TDRA "tarnishment" cases, see Anthony L. Fletcher, *The Product with the Parody Trademark: What's Wrong with CHEWY VUITTON?*, 100 TMR 1091 (2010).

73. *Starbucks*, 588 F.3d at 110-11: That a consumer may associate a negative sounding junior mark with a famous mark says little of whether the consumer views the junior mark as harming the famous mark. *Compare Nike, Inc. v. Nikepal Int'l, Inc.*, 84 U.S.P.Q.2d 1820 (E.D. Cal. 2007), where fame, association, and intent led to the plaintiff's success, in the absence of any convincing proof of likelihood of any diminution in the value of the NIKE trademark. In an unusual decision involving the slogan "America's Team," the defendant was found to have tarnished the same mark used by the Dallas Cowboys football club because, *inter alia*, it distributed thousands of wristbands bearing the phrase "America's Team" with the word "basketball" misspelled, thus harming the reputation of the Dallas Cowboys club, or so it was found (*Dallas Cowboys Football Club, Ltd. v. America's Team Props., Inc.*, 616 F. Supp. 2d 622, 643 (N.D. Tex. 2009)).

74. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).

75. *J&B Wholesale Distrib. Inc. v. Redux Beverages LLC*, 85 U.S.P.Q.2d 1623, 1628-29 (D. Minn. 2007). *Contra Univ. of Kan. v. Sinks*, 565 F. Supp. 2d 1216, 1260 (D. Kan. 2008).

76. "If a reasonable buyer is not at all likely to think of the senior user's trademark in his or her own mind, even subtly or subliminally, then there can be no dilution. That is, how can there be any 'whittling away' if the buyer, upon seeing defendant's mark, would never, even unconsciously, think of the plaintiff's mark? So the dilution theory presumes some

Third, to be entitled to protection, the trademark must be “widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” It is not clear exactly what this means. The statute does not indicate who the “general consuming public of the United States” is. Also, as indicated above, it is questionable whether proof of general fame *should* be a condition for dilution protection, versus proof of linkage between the trademark owner’s mark and the accused mark. If proof of linkage is the principal condition for dilution relief, this would be unlikely to increase frivolous dilution claims because a high degree of linkage and fame generally go hand in hand. If dilution protection requires linkage as an essential precondition to relief, the need to prove fame as a separate precondition likely becomes moot or at least less important.

Fourth, in many if not most cases, relief from dilution by blurring is unnecessary because the trademark owner will be able to prove a likelihood of confusion and hence be entitled to relief from infringement. Conversely, if the degree of association is low, how likely is it that the distinctiveness of the owner’s mark would suffer? Also, the more famous a mark is, the less susceptible the famous mark may be to dilution by blurring.⁷⁷

Fifth, it is arguable that the economic costs of the TDRA outweigh its advantages. Of all the cases reported to date under the TDRA, only a few have resulted in injunctions based solely on dilution by blurring or tarnishment. Search costs, and concomitant uncertainties in the evaluation of potential dilution rights, make clearance of trademarks even more difficult.

III. ANTI-DILUTION LAW IN CANADA

A. *Introduction*

Protection against dilution, and potentially other conduct, is provided by section 22(1) of the TMA⁷⁸ as follows:

Depreciation of Goodwill—No person shall use a trademark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto.

kind of mental association in the reasonable buyer’s mind between the two parties and the mark.” 4 McCarthy, *supra* note 6, § 24:70.

77. Shari Seidman Diamond, *Trademark Dilution: Of Fame, Blurring, and Sealing Wax, With a Touch of Judicial Wisdom*, 24 Santa Clara Computer & High Tech. L.J., 521, 540 (2008).

78. R.S.C. 1985 ch. T-13, as amended.

Although the word “dilution” is not mentioned specifically in the TMA, it is now clear that section 22 proscribes dilution through blurring or tarnishment.⁷⁹ Furthermore, its ambit may extend to acts other than dilution that depreciate or are likely to depreciate the value of the goodwill attaching to a registered trademark although the limits are not as yet clear.⁸⁰ Confusion or likelihood of confusion does not have to be proved in order to succeed under section 22, but it is an open question whether the use has to be a “trademark use,” i.e., a use for the purpose of distinguishing the goods or services of the user,⁸¹ as is the case under the TDRA.

In *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Clicquot Ltée*⁸² (*Veuve Clicquot*), the Supreme Court of Canada defined the criteria necessary to support a successful action under section 22, as discussed in detail below. Although *Veuve Clicquot* deals in part with the protection of famous trademarks against infringement and passing off, its principal focus is on depreciation of the value of the goodwill.⁸³

It is appropriate to trace the history of the development of the law in Canada, in order to see why the Supreme Court of Canada concluded that section 22 applies to depreciation of goodwill caused by blurring or tarnishment, and left the door open to other possible grounds for depreciation of goodwill.

B. History of Section 22 of the Trade-Marks Act

1. Report of the Trade Mark Law Revision Committee

Current statutory trademark law in Canada has its origin in a report of the Trade Mark Law Revision Committee (the “Committee”), the body charged with recommending revisions to the *Unfair Competition Act, 1932*. The Committee began its work in 1947, the same year that the first anti-dilution state statute was enacted in the United States. The Committee’s report does not mention the word “dilution.” Moreover, the Committee’s view of section 22 appears rather narrow; it saw section 22 as proscribing conduct “which has the effect of bringing the trade mark into

79. *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Clicquot Ltée*, 2006 SCC 23, [2006] 1 S.C.R. 824.

80. *Id.* para. 67. *See also Clairol Int’l Corp. & Clairol Inc. of Canada v. Thomas Supply & Equip. Co. Ltd.* (1968), 55 C.P.R. 176.

81. *Veuve Clicquot*, [2006] 1 S.C.R. 824 para. 38. “Use for the purpose of distinguishing” sometimes is hereinafter called “use *qua* trademark.”

82. *Id.*

83. See Vaver, *Intellectual Property Law* 524-29 (2d ed.), for a review of Canadian section 22 case law.

contempt or disrepute in the public mind," i.e., tarnishment. Likewise, neither blurring nor other kinds of commercial activity that conceivably could depreciate the value of a registered trademark are mentioned in the Committee's report.

Dr. Harold G. Fox, a prominent author, scholar, and litigator, chaired the Committee. In later writing he expressed the broader view that section 22 also applies to blurring through loss of uniqueness. In his text *The Canadian Law of Trade Marks and Unfair Competition*,⁸⁴ Dr. Fox observed that section 22 applies to "the depreciation of the value of the goodwill attaching to the trade mark or, expressed in different terms, the dilution of the distinctiveness or unique character of the trade mark."⁸⁵ He added, "Uniqueness is the qualifying point of distinctiveness and if the same trade mark is permitted to be used in association with the thousand and one different classes of wares entering into modern commerce, that trade mark is no longer unique but becomes practically an every-day word in the language."⁸⁶

C. Section 22 Jurisprudence

1. Introduction

Unlike the TDRA, section 22 requires that the trademark for which dilution relief is sought must be registered, and it must be shown that the public associates the plaintiff's registered mark with the accused mark.⁸⁷ Effectively that means that the trademark for which relief is sought must have achieved at least niche fame. Like the TDRA, possession of a valid trademark registration by a defendant is a defense to an action based on use of the defendant's registered mark.⁸⁸

2. Clairol

Prior to *Veuve Clicquot*, the leading section 22 case was *Clairol International Corp. & Clairol Inc. of Canada v. Thomas Supply & Equipment Co. Ltd.*⁸⁹ The court granted an injunction

84. 1 Harold G. Fox, *The Canadian Law of Trade Marks and Unfair Competition* 507-08 (2d ed. 1956).

85. *Id.* at 507.

86. *Id.* at 508.

87. ITV Techs., Inc. v. WIC Television Ltd., 2003 FC 1056.

88. Molson Canada v. Oland Breweries Ltd. (2002), 59 O.R. (3d) 607 (C.A.).

89. *Clairol Int'l Corp. & Clairol Inc. of Canada v. Thomas Supply & Equip. Co. Ltd.* (1968), 55 C.P.R. 176 (Ex. Ct.). See also *Interlego AG v. Irwin Toy Ltd.* (1985), 3 C.P.R. (3d) 476 (F.C.T.D.); *Eye Masters Ltd. v. Ross King Holdings Ltd.* cob as *Shopper's Optical* (1992), 44 C.P.R. (3d) 459 (F.C.T.D.); *Visa Int'l Serv. Ass'n v. Auto Visa Inc.* (1991), 41 C.P.R. (3d) 77 (Qc. Sup. Ct.); *Source Perrier (Société Anonyme) v. Fira-Less Mktg. Co. Ltd.* (1983), 70

restraining the defendant's display of the plaintiffs' registered trademarks in hair color comparison charts on the exterior of Revlon packages. Justice Thurlow did not base his decision on either tarnishment or blurring.⁹⁰ Instead, he found that the defendants deliberately intended to benefit from the display of the plaintiffs' trademarks on their packaging, and to the extent they were successful, he found it likely that the defendants depreciated the value of the plaintiffs' goodwill.⁹¹ This analysis is similar to the anti-free-riding rationale in *L'Oreal*⁹² under Article 5(2) of the TMD, discussed below in Part IV.E of this article, except that under Article 5(2), proof of economic harm does not have to be proved, whereas proof of likely depreciation of goodwill is an essential condition for relief under section 22 of the TMA.

Justice Thurlow was concerned about impeding honest comparative advertising and therefore he expressed the view that unless limitations are placed on the interpretation of section 22, its language is capable of enjoining "legitimate comparisons or criticisms," which could not have been intended.⁹³ He sought to limit the scope of section 22 so as to protect honest comparative advertising, in two main ways: (1) by requiring the plaintiff to prove that the defendant had "used" the plaintiff's registered trademark according to the definition of "use" found in section 4,⁹⁴ and (2) by restricting the activity that constitutes "depreciation of goodwill" of a trademark. At least in relation to section 4, Justice Thurlow clearly was wrong. It makes no sense to say that a message printed on a package is actionable under section 22, whereas the same message in an advertisement is not. True it is that section 22 uses the word "use," but that does not mean that the section 4 definition of "use" must be read into section 22. For example, section 20 of the TMA provides that a registered trademark is deemed to be infringed by anyone who "sells,

C.P.R. (2d) 61 (F.C.T.D.); Bonus Foods Ltd. v. Essex Packers Ltd. (1964), 43 C.P.R. 165 (BONUS for dog food depreciated BONUS for food products).

90. Justice Thurlow may not even have thought that section 22 applies to "blurring": "It does not . . . arise . . . from danger of loss of exclusive rights as a result of use by others" (*Clairol* at 200).

91. *Clairol*, 55 C.P.R., at 201. See also *L'Oreal SA & Ors v. Bellure NV & Ors*, [2010] EWCA Civ 535.

92. *L'Oreal*, [2010] EWCA Civ 535.

93. *Clairol*, 55 C.P.R. at 196.

94. 4(1) A trade-mark is deemed to be used in association with wares if, at the time of the transfer of the property in or possession of the wares, in the normal course of trade, it is marked on the wares themselves or on the packages in which they are distributed or it is in any other manner so associated that notice of the association is then given to the person to whom the property or possession is transferred.

(2) A trade-mark is deemed to be used in association with services if it is used or displayed in the performance or advertising of those services.

distributes or advertises wares or services in association with a confusing trade-mark or trade-name.” Thus, a mark registered for wares can be infringed by the use of a confusing mark in advertising, even though “use” in advertising wares is not “use” as defined in section 4. This point is discussed in more detail below.

Had Justice Thurlow interpreted section 22 so as to require that “use” in section 22 be a use *qua* trademark, i.e., for the purpose of distinguishing goods or services, the plaintiffs would not have succeeded because the defendant’s use clearly was not a trademark use. Also, nothing about the Revlon color comparison charts would have been actionable at common law, and no likelihood of confusion as to source existed. Moreover, Justice Thurlow based his finding of depreciation of the goodwill on evidence that the defendant successfully diverted some of the plaintiff’s sales. Isn’t that what competition is intended to achieve? Justice Thurlow’s decision therefore constitutes a major departure in Canadian trademark law and, in the author’s view, is wrong.

Each of these requirements will now be discussed in turn.

3. Trademark “Use”

“Use,” in relation to a trademark, is defined in section 2 of the Act as “any use that by section 4 is deemed to be a use in association with wares or services.” “Trade-mark” is defined in section 2 as “a mark that is used by a person for the purpose of distinguishing or so as to distinguish wares or services manufactured, sold, leased, hired or performed by him from those manufactured, sold, leased, hired or performed by others.”⁹⁵ Section 4(1) provides that a trademark is “used” in association with wares if the trademark is marked on the wares themselves, on their packaging, or in any other manner sufficient to associate the trademark with the wares at the time of the transfer of the property in or possession of the wares. Section 4(2) provides that a trademark is “used” in association with services if it is used or displayed in the performance or advertising of those services.

Justice Thurlow imported the definition of section 4(1) into section 22, thus finding the defendant’s use of the color comparison charts on the packaging a violation of section 22. The same charts used in brochures did not violate section 22; placing the brochures inside the packaging rendered them invisible to the purchaser at the time of purchase. The mistake he made is in failing to appreciate that the purpose of the definition of “use” in section 4 is to indicate the nature of use required to support the grant of a

95. See definition of “trade-mark” in section 2 of the TMA.

registration and other technical issues, rather than what must be proved to demonstrate either infringement or dilution.

4. Activity That Constitutes Depreciation of Goodwill

Justice Thurlow concluded that the defendants' use of the plaintiffs' well-known trademarks in color comparison charts was unfair. The reason given for the unfairness was that the defendants intended to benefit from plaintiffs' goodwill built up over a long period of time with massive expenditures of advertising. Why it would not be equally unfair to do the same thing in a brochure or newspaper advertisement is not explained, considering that the harm to the plaintiffs' goodwill could have been far greater. It is difficult to understand why the presence of the plaintiffs' marks on the packages should have made any difference.⁹⁶

5. Analysis of *Clairol*

The purpose of section 4 is to define what constitutes "use" for specific purposes of the TMA, for example where the nature and timing of "use" is important, such as entitlement to registration under section 16. The word "use" has a technical meaning defined in section 4, but it is also a common word: "use" or "used" appears in more than 150 occurrences throughout the TMA in different contexts. Not every occurrence of "use" in the TMA requires the technical definition of "use" to be applied, and in some cases it would make no sense to do so.

As indicated above, according to Justice Thurlow's reasoning, it follows that a newspaper advertisement containing the identical color comparison chart used by the defendants in *Clairol* would not violate section 22 because an advertisement is not a "use" of the trademarks for wares within the meaning of section 4(1). On the other hand, section 4(2) of the TMA provides that a trademark is used in association with services if it is "used or displayed in the performance or the advertisement of those services." Therefore, an accused trademark displayed in a newspaper advertisement for services could violate section 22 even though an advertisement containing a similar message in relation to wares, would not. In *Eye Masters Ltd. v. Ross King Holdings Ltd.*,⁹⁷ the defendant published an advertisement comparing its prices for its services against those of the plaintiff, using the plaintiff's registered EYE

96. *Clairol* and the controversial decision of the ECJ in *L'Oreal v. Bellure* both condemn free-riding, but the difference is that in *Clairol*, the defendant was a direct competitor of the plaintiff, whereas in *L'Oreal*, this was not the case.

97. (1992), 44 C.P.R. (3d) 459 (F.C.T.D.).

MASTER service mark on its comparison chart. Therefore, the advertisement constituted “use” under section 4 of the TMA. Applying *Clairol* in granting an injunction, Justice Reed thought the result was “bizarre.”

In addition to *Eye Masters*, other cases have sought to distinguish *Clairol* while not expressly disagreeing with the analysis or the result. In *Future Shop Ltd. v. A. & B. Sound Ltd.*,⁹⁸ the court held that a comparison price chart, which displayed the plaintiff’s registered service mark THE FUTURE SHOP, did not constitute a depreciation of goodwill despite the fact that the “use” was in accordance with section 4, according to the *Clairol* logic. The court distinguished *Clairol* by reasoning that in *Clairol*, the defendant had used the plaintiff’s trademarks “to capitalize on the similarities of its products to those of Clairol and appropriate part of the Clairol goodwill in so doing.” The court concluded that a comparison chart, stressing differences between the advertiser’s product and that of the competition, does not attach itself to the competitor’s goodwill in the same manner. Assuming the comparison is not misleading or otherwise dishonest, the use of a comparison chart on either packages or advertisements should not be actionable under section 22 of the TMA.

In *Cie Général des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada et al.*,⁹⁹ the court disagreed with the interpretation of the applicability of section 22 in service mark cases given by Justice Reed in *Eye Masters* and distinguished between commercial speech, which is said to be actionable under section 22, and other forms of speech, such as satire or criticism, which the court found are not actionable under section 22.¹⁰⁰ In the author’s view, commercial speech is as entitled to protection as other forms of free speech (see the discussion in Part III.D.4.A below in relation to the Charter of Rights and Freedoms).

98. (1994), 55 C.P.R. (3d) 182 (B.C. Sup Ct.).

99. (1996), 71 C.P.R. (3d) 348 (F.C.T.D.).

100. In that case, the plaintiff, a manufacturer of tires for automobiles, sought to enjoin the defendant’s reproduction of its famous BIBENDUM trademarks on leaflets and brochures distributed by the defendant, a trade union, to 3,000 employees as part of a certification drive. The BIBENDUM character was shown stepping on the plaintiff’s employees. Although the court concluded that the defendant had not “used” the plaintiff’s trademarks within the meaning of section 4 such that the first element under section 22 had not been met, it went on to consider whether the goodwill attaching to the trademarks had been depreciated by their reproduction on the leaflets. The court concluded that although the leaflets and posters might diminish the plaintiff’s reputation as an employer, it was not satisfied that the plaintiff had proven that they would have a deleterious effect on the plaintiff’s reputation in the marketplace as a manufacturer of tires.

6. *Clairol*: Where to Draw the Line?

It is easy enough to say that unfairly taking advantage of the cachet associated with a registered trademark or taking a free ride on the goodwill associated with a registered mark offends section 22, but not as easy to define the boundaries of the wrong. The fundamental flaw in Justice Thurlow's reasoning is that he failed to require that the defendants' use of the trademark owners' registered trademarks be a *trademark* use rather than merely use as defined in section 4. Had he done so, section 22 would not have been violated irrespective of any economic harm to the plaintiffs. Conversely, if the nature of a defendant's use is use *qua* trademark, if the public in fact associates the respective marks, and if the use of the defendant's mark is likely to depreciate the goodwill of the trademark owner, the trademark owner would be entitled to injunctive and monetary relief irrespective of whether the mark were used on packaging or advertising.

7. *Veuve Clicquot*

In *Veuve Clicquot*,¹⁰¹ the main issue was whether a registration for the famous trademark VEUVE CLICQUOT had been infringed by the use of CLIQUOT for the name of a small chain of stores specializing in the sale of women's clothing. Taking all surrounding circumstances into account, the trial judge held that confusion was unlikely, and the Federal Court of Appeal agreed. After considering all the surrounding circumstances, including the absence of any real evidence of confusion despite a fairly lengthy period of concurrent use, as well as the differences in the respective marks, the Supreme Court of Canada (SCC) affirmed there was no likelihood of confusion on the facts. The case is of interest, though, because of the claim by the plaintiff that the defendant had depreciated the goodwill in its VEUVE CLICQUOT mark, contrary to section 22 of the Act.

Prior to *Veuve Clicquot*, it was not clear¹⁰² (1) whether the defendant's mark must be identical to the plaintiff's registered mark and (2) whether the plaintiff must prove that consumers are likely to associate the defendant's mark with the plaintiff's registered mark.

101. [2006] 1 S.C.R. 824.

102. See *Source Perrier (Société Anonyme)* v. Fira-Less Mktg. Co. Ltd. (1983), 70 C.P.R. (2d) 61 (F.C.T.D.); *Cie Générale des Établissements Michelin-Michelin & Cie* v. C.A.W.-Canada et al. (1996), 71 C.P.R. (3d) 348 (F.C.T.D.).

As to the first issue, the SCC determined that the respective marks do not have to be identical provided that the public associates the two.¹⁰³

With respect to the second issue, the INTA amicus brief argued that both the trial judge and the Court of Appeal were wrong in finding that in order for section 22 to be infringed, consumers had to make a connection between the plaintiff's registered mark and the mark used by the defendant. According to the INTA argument, it is sufficient to show that the respondent's use of the CLIQUOT mark "was likely to whittle away or dilute the distinctiveness of the VEUVE CLIQUOT mark and thereby depreciate the value of the goodwill attached to it. The likelihood of dilution arises from the similarity or identity of the junior mark to the famous and distinctive mark."¹⁰⁴

The SCC rejected this view and established a four-part test for violation of section 22 as follows.

***a. Defendant Must Have Used the Registered Mark
in Connection with Wares or Services***

The first element of the test requires that a claimant prove that defendant "has used the registered mark in connection with wares or services whether or not such wares and services are competitive with those of the claimant."¹⁰⁵ The decision is not clear on whether the "use" must be a trademark "use," i.e., "use" for the purpose of distinguishing the defendant's goods or services, or even if it must be "use" as defined in section 4 of the TMA. If the decision means that the accused mark must be used as a trademark, effectively *Veuve Clicquot* overrules *Clairol*; in *Clairol*, the defendant's use of the plaintiff's marks in comparison charts was not a "use" for the purpose of distinguishing the defendant's goods.¹⁰⁶ On the other hand, if "use" means any use as defined by section 4 of the TMA, irrespective of whether it is for the purpose of distinguishing the defendant's goods or services, it would follow that the use of comparison charts on products or their packaging could potentially violate section 22, whereas the same charts used

103. *Veuve Clicquot*, [2006] 1 S.C.R. 824 para. 48.

104. See INTA amicus brief, para. 58, www.inta.org/Advocacy/Documents/INTAVeuveLesBoutiques.pdf.

105. *Id.* para. 46.

106. That seems unlikely, because *Clairol* was cited with evident approval. The court assumed that *Clairol* was based on tarnishment, not free-riding, but the author can find no justification for that assumption.

in newspaper advertising would not.¹⁰⁷ As discussed above, this makes no sense. A third possibility, discussed below, is that the requirement of “use in relation to wares or services” is to be given its normal meaning, i.e., any commercial use in relation to the sale of goods or services would suffice provided it serves to link the mark used by the defendant with the plaintiff’s registered mark, irrespective of whether it is for the purpose of distinguishing, and irrespective of whether it falls within the definition of “use” in section 4 of the TMA. If that is the case, an interpretation that the author does not support, section 22 would be similar to Article 5(2) of the TMD, and unlike the TDRA that requires an accused trademark to be used as a trademark.

b. The Registered Mark Must Have Significant Goodwill Attached to It

Second, the registered mark must have significant goodwill attached to it.¹⁰⁸ This does not necessarily mean that the trademark must be shown to have become famous or well-known, but it would be the unusual case where the plaintiff’s mark was not famous or well-known, at least in a particular niche, given the next two factors.

c. Association Between the Registered Mark and the Accused Mark Is Essential

Third, the defendant must have used the trademark in such a manner as to have affected such goodwill (linkage).¹⁰⁹ Although likelihood of confusion need not be proven under section 22, the trademark owner must show that the use of a similar mark evokes in the relevant universe of consumers a mental association of the two marks that is likely to depreciate the value of the goodwill attaching to the plaintiff’s mark. Without such linkage, connection, or mental association in the consumer’s mind, no depreciation of the goodwill symbolized by the registered mark exists.

107. One possible “use” that would not be in relation to wares or services is where a registered trademark is used improperly as the generic name of a product (e.g., “thermos”) in a newspaper article or the like.

108. *Veuve Clicquot*, [2006] 1 S.C.R. 824 para. 53.

109. See also *ITV Techs. Inc. v. WIC Television Ltd.* (2003), 29 C.P.R. (4th) 182.

***d. Likelihood of Depreciation of the Value of
the Goodwill Is Essential***

Fourth, such use by the defendant is likely to depreciate the value of the goodwill (damage).¹¹⁰ The SCC found that the appellant failed to prove the existence of the required linkage, connection or association. It followed that that the use of the mark CLIQUOT by the defendant was unlikely to depreciate the value of the goodwill associated with the mark VEUVE CLICQUOT.

8. Remo Imports v. Jaguar Cars

In 2007, the Federal Court of Appeal applied the *Veuve Clicquot* test in *Remo Imports Ltd. v. Jaguar Cars Ltd.*¹¹¹ One of the longest-running and most vigorously argued trademark disputes in Canadian history, the case took 14 years to come to trial, involved the production of over 6,000 exhibits at trial, and resulted in a trial court decision over 140 pages long.

Remo registered JAGUAR for tote bags and baggage in 1981. In 1984, Remo extended its registration to cover handbags and school bags. The defendant Jaguar Cars did not oppose either of Remo's applications. Jaguar Cars had a prior registration in Canada for JAGUAR in association with automobiles. The federal court found that Jaguar Cars' JAGUAR mark had become well known in association with automobiles by 1980 when Remo first adopted JAGUAR for its tote bags and school bags.

In 1987, Jaguar Cars applied to register JAGUAR for use in association with various accessories, including small leather goods, such as wallets, key cases, credit card holders, etc., and a registration for these additional goods was issued in January 1991. In June 1991, Remo sued Jaguar Cars for infringement, based on its prior use and registration of JAGUAR, and in view of Jaguar Cars' launch of JAGUAR leather goods. Jaguar Cars counterclaimed for an injunction against Remo based on trademark infringement, depreciation of goodwill, and passing off, and asked for an order expunging Remo's registration for JAGUAR. Remo's action against Jaguar Cars was dismissed, but Jaguar Cars succeeded in its counterclaim.

The Federal Court of Appeal affirmed the finding of infringement, but overturned the finding that Remo had also

110. Depreciation of the value of goodwill (or likelihood of such depreciation) cannot be inferred from evidence that the public will associate the respective marks; evidence is needed to prove such depreciation. See *Tommy Hilfiger Licensing Inc. et al. v. Produits de Qualité I.M.D. Inc.*, 2005 FC 10, 37 C.P.R. (4th) 1; *BMW Canada Inc. v. Nissan Canada Inc.*, 2007 FCA 255, 60 C.P.R. (4th) 181; *Salam Toronto Publ'ns v. Salam Toronto Inc.*, 2009 FC 24; *Remo Imps. Ltd. v. Jaguar Cars Ltd.*, 2007 FCA 258, 60 C.P.R. (4th) 130.

111. *Remo Imps.*, 60 C.P.R. (4th) 130.

violated section 22. In accordance with the four-point test of *Veuve Clicquot*, the court found that a link, connection or mental association must exist in consumers' minds between the two marks. This linkage cannot be assumed, but proved. In addition, it must be shown that there is a likelihood of damage. In order to prevail, Jaguar Cars therefore was required to establish such a mental association in consumers' minds between Remo's display of its JAGUAR trademark and the famous JAGUAR motor car marks, and that such display likely would damage Jaguar Cars' trademark JAGUAR. Even assuming "association" evidence existed by reason of the finding of likelihood of confusion, Jaguar Cars failed to prove that the sale of Remo's leather goods likely depreciated the reputation of JAGUAR motor cars.

D. Depreciation of Goodwill

1. Blurring

Unlike the situation in the United States, to date no successful section 22 case exists in Canada based only on blurring.¹¹² In *Viewpoint International, Inc. v. On Par Enterprises Inc.*,¹¹³ the plaintiff owned the trademark TOMMY BAHAMA used in association with clothing, and sought an interlocutory injunction against the defendant's use of the trademark TOMMY BAHAMAS GRILL used in association with the operation of a bar/restaurant. Justice Lemieux dismissed the plaintiff's motion; section 22 did not support an injunction in the absence of evidence that the plaintiff's reputation had been tarnished by the defendant's use of TOMMY BAHAMAS GRILL. Likely this was a blurring, not a tarnishment, case, but in any event the case demonstrates that proof of the uniqueness of the mark is not sufficient: it must be proved that the public associates the respective marks and that harm to the trademark is likely.

2. Tarnishment

Although *Clairol* is important chiefly because it is the first case in which an injunction was issued under section 22, it is also important because the injunction issued in the absence of proof of confusion, proof of blurring,¹¹⁴ and proof of tarnishment.¹¹⁵ Other

112. See, however, the Trial Division's judgment in S.C. Johnson & Son Ltd. v. Mktg. Int'l Ltd. (1977), 32 C.P.R. (2d) 15 (F.C.T.D.).

113. *Viewpoint Int'l, Inc. v. On Par Enters. Inc.*, 2001 FCT 629, [2001] 4 F.C. 113.

114. As indicated above, Justice Thurlow does not appear to have thought that section 22 applies to blurring.

115. *Clairol Int'l Corp. & Clairol Inc. of Canada v. Thomas Supply & Equip. Co. Ltd.* [1968], 55 C.P.R. 176, 199-200 (Ex. Ct.). Contrary to Binnie J.'s statement in *Veuve Clicquot*

cases followed in which tarnishment was a deciding factor. In *Source Perrier (Société Anonyme) v. Fira-Less Marketing Co. Ltd.*,¹¹⁶ the plaintiff sought injunctive relief against the defendant who sold ordinary tap water in green bottles bearing the words “Pierre Eh!,” in order to lampoon former Prime Minister Pierre Elliot Trudeau. Mr. Justice Dubé granted the injunction, in part on the basis that the defendant’s “Pierre Eh!” mark depreciated the value of the well-known PERRIER mark. In his interpretation of section 22, Justice Dubé suggested that a normative similarity exists between section 22 and U.S. anti-dilution jurisprudence; both function to protect well-known marks from tarnishment.¹¹⁷ It is notable that in *Source Perrier*, Justice Dubé rejected the defense that the use of “Pierre Eh!” constituted parody and therefore should not be enjoined on the ground of commercial free speech.¹¹⁸ It is likely the opposite result would have obtained under the TDRA, notwithstanding the court’s reference to U.S. dilution jurisprudence.

3. Other Unfair Conduct Likely to Depreciate the Value of the Goodwill

In *Veuve Clicquot*, Justice Binnie observed that “Our Act is differently worded [than the TDRA] and I do not suggest that the concept of ‘depreciation’ in section 22 is necessarily limited to the notions of blurring and tarnishment. Canadian courts have not yet had an opportunity to explore its limits.”¹¹⁹ Given the breadth of the language used in section 22, its scope does appear to extend beyond traditional acts of blurring and tarnishment, but to what extent? If successful invocation of section 22 requires a trademark owner to prove that the accused mark is used as a trademark, an interpretation the author supports, this likely eliminates most

(*id.* para. 66) that Justice Thurlow considered the defendant’s conduct in *Clairol* to have “created a negative association for the mark,” i.e., tarnishment, Justice Thurlow relied instead on the fact that the use of the color comparison charts was done for “the express purpose of taking away custom enjoyed by competitors,” which, in the author’s view is not related to tarnishment (*Clairol*, 55 C.P.R. at 202).

116. *Source Perrier (Société Anonyme) v. Fira-Less Mktg. Co. Ltd.* (1983), 70 C.P.R. (2d) 61 (F.C.T.D.).

117. *Id.* at 65-66. See, however, *Cie Général des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada et al.* (1996), 71 C.P.R. (3d) 348 (F.C.T.D.), where the court appears to have required the use of the plaintiff’s mark as registered as a basis for relief under section 22.

118. Justice Dubé cited with approval *Coca-Cola Co. v. Gemini Rising Inc.*, [346 F. Supp. 1183 (E.D.N.Y. 1972)], in which an injunction was issued enjoining the defendant from distributing a poster that consisted of a reproduction of a Coca-Cola bottle, with the words “Enjoy Cocaine.”

119. *Veuve Clicquot Ponsardin, Maison Fondée en 1772 v. Boutiques Cliquot Ltée*, [2006] 1 S.C.R. 824 para. 67.

free-riding cases, but would not rule out cases based on blurring or tarnishment. On the other hand, if *any* use that is covered by section 4 of the TMA qualifies whether or not for the purpose of distinguishing, it could lead to the result in *Eyemasters* that Justice Reed found “bizarre.” A third alternative is that the “use” contemplated by Justice Binnie is not necessarily as defined in section 4, but could be any commercial use in relation to the sale or advertising of goods or services.¹²⁰ If any commercial “use” in relation to wares or services qualifies, this effectively renders section 22 of the TMA comparable in scope with Article 5(2) of the TMD with the important exception that under section 22, likely economic harm to the trademark owner has to be proved, not merely an economic advantage to the defendant as is sufficient under the TMD. Thus, *Clairol*, restricted to its unusual facts, could have been correctly decided without invoking the tortuous application of section 4. In the author’s view, this might be a logical result, but wrong in principle because it could impede honest comparisons of products and services.

4. Parody

In Canada, the Charter of Rights and Freedoms¹²¹ (the “Charter”) is relevant to the application of section 22 in a proper case. Section 22 does not provide any exceptions such as exist in the TDRA, but its application likely is subject to the Charter. Section 2(b) of the Charter provides that “Everyone has the following fundamental freedoms: . . . freedom of thought, belief, opinion and expression, including freedom of the press and other media of communication.”

a. *Charter of Rights and Freedoms*

A trademark is a language tool by which a trademark owner communicates a message to the public. In that sense, a trademark itself is form of expression. Tensions can arise between the right of the trademark owner to communicate a message to the public by means of the trademark, and the right of the public to express ideas as a normal consequence of living in a free society. The question is, what are the limits of the right of free expression, especially when the exercise of that right interferes with or

120. Indeed, it is the case that a registered trademark could be infringed by use of a confusing trademark in advertising goods, even if such “use” does not constitute “use” within the meaning of section 4 of the TMA.

121. The Constitution Act, Part I, 1982, being Schedule B to the Canada Act 1982 (UK), 1982, c.11.

damages a communication right of another, such as the rights of a trademark owner?

In *Perrier*,¹²² it was held that the right of free expression guaranteed by section 2(b) of the Charter does not trump the rights of trademark owners. This is indicated in the following passage:

The most liberal interpretation of “freedom of expression” does not embrace the freedom to deprecate the goodwill of registered trade marks, nor does it afford a license to impair the business integrity of the owner of the marks merely to accommodate the creation of a spoof.

In *Michelin*,¹²³ the C.A.W. union attempted to unionize Michelin workers at a Michelin plant in Canada. As part of their recruitment efforts, the C.A.W. distributed pamphlets that used the word MICHELIN and a variation of the well-known Michelin cartoon figure, called Bibendum (the “Michelin Man”). In the C.A.W.’s brochure, the Michelin Man is shown crushing a worker with its foot. Michelin sued the C.A.W. both for trademark and copyright infringement. The C.A.W. denied that any infringement occurred, and argued that notwithstanding any potential infringement, the Charter gave them the right to express their position in the way they did.

Both the word MICHELIN and the Michelin Man are registered trademarks. *Michelin* held that the use of these trademarks in C.A.W.’s advertising would not be likely to cause confusion as to the source of the pamphlets, and therefore no infringement under section 19 or 20 of the TMA occurred. In addition, section 22 was not violated, because the pamphlet did not use either trademark within the meaning of section 4. In effect, the court read into section 22 the provisions of section 4 just as Justice Thurlow did in *Clairol*.¹²⁴

Michelin has been criticized for an overly simplistic analysis. For example, honest comparative advertising is protected by section 2(b) of the Charter irrespective of whether the use of another’s registered trademark has the effect of taking business away from the owner of the registered trademark. Therefore, the right of a competitor to make an honest expression of commercial

122. Source *Perrier (Société Anonyme) v. Fira-Less Mktg. Co. Ltd.* (1983), 70 C.P.R. (2d) 61 (F.C.T.D.).

123. *Cie Générale des Établissements Michelin-Michelin & Cie v. C.A.W.-Canada et al.* (1996), 71 C.P.R. (3d) 348 (F.C.T.D.).

124. See also *Rôtisseries St-Hubert Ltée c. Syndicat des travailleurs (euses) de la Rôtisserie St-Hubert de Drummondville* (CSN) (1986), 17 C.P.R. (3d) 461; *British Columbia Auto. Ass’n v. O.P.E.I.U, Local 378* (2001), 10 C.P.R. (4th) 423; B. Gamache, *Union Display of Employer’s Mark Does Not Constitute “Use” of Mark* (1997), 11 W.I.P.R. 40-42.

speech must trump the right of the trademark owner to the exclusive use of its registered mark.

In *R. v. Guignard*,¹²⁵ the Supreme Court of Canada invalidated a municipal law that prohibited erecting advertising signs outside an industrial zone. The impugned by-law infringed the freedom of expression guaranteed by the Charter because it restricted the right to use a natural means of commercial expression to certain designated places. Trademark owners should not be too sanguine about relying on *Michelin* and *Pierre Eh!*, which might well have been decided differently had those cases been tried after *Guignard*.

5. Critique of Canadian Dilution Law

The case law in relation to section 22 of the TMA is relatively scant, so it is perhaps premature to criticize the law in its current state. That said, the SCC decision in *Veuve Clicquot* potentially expands the ambit of section 22 to include activities that extend beyond blurring and tarnishment; this possibility is certainly worthy of comment. Unless *Veuve Clicquot* is read so as to require that the accused use must be a trademark use, i.e., reversing *Clairol*, section 22 has the potential for changing the competitive landscape to the detriment of the public. If section 22 is interpreted to require that the accused trademark be used as a trademark, section 22 would most likely be restricted to blurring or tarnishment cases, a more appropriate result, and in line with what the Trade Mark Law Revision Committee likely had in mind when section 22 was drafted.

One major shortcoming of section 22 is that it does not contain any exceptions such as those contained in the TDRA in relation to fair use, such as honest comparative advertising, parody or criticism, news reporting, news commentary, or any noncommercial use of a mark. Instead of relying on the Charter to limit the scope of section 22, such limitations should be embodied in the statute itself.

IV. ANTI-DILUTION AND ANTI-FREE-RIDING LAW IN THE EUROPEAN UNION

A. *The Trade Mark Harmonization Directive*

A principal purpose of the TMD is to assure a reasonable degree of approximation among the trademark laws of EU member states, with the underlying goal of preventing conflicting national laws from impeding the free movement of goods throughout the

125. [2002] 1 S.C.R. 472, 2002 SCC 14.

EU. The TMD provides minimum standards concerning important issues such as registration and enforcement of trademark registrations, exhaustion, etc.¹²⁶ In the event of any uncertainty as to whether a national law is consistent with the TMD, national courts may refer questions to the Court of Justice of the European Union (CJEU), formerly abbreviated ECJ.

The following provisions of the TMD are relevant.

Article 4(4) provides:

Any Member State may in addition provide that a trade mark shall not be registered or, if registered, shall be liable to be declared invalid where, and to the extent that:

- (a) the trade mark is identical with, or similar to, an earlier national trade mark within the meaning of paragraph 2 and is to be, or has been, registered for goods or services which are not similar to those for which the earlier trade mark is registered, *where the earlier trade mark has a reputation in the Member State concerned and where the use of the later trade mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark;* (emphasis added).

Article 5(1)(a) and (b) provide:

1. The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

- (a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;
- (b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.

Article 5(2) provides:

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from *using in the course of trade* any sign which is identical with, or similar to, the trade mark in relation to

¹²⁶ In the United Kingdom, the provisions of the EU TMD have been implemented in the Trade Marks Act 1994.

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.* (emphasis added)

Article 5(2) is not mandatory, but has been adopted by all Member States, and therefore decisions of the CJEU have binding effect on the national courts of the Member States. Article 5(2) can be engaged irrespective of whether the accused goods and services are similar to those associated with the prior trademark, and it is even broader in scope than Article 5(1)(b).¹²⁷ The Lanham Act¹²⁸ and the TMA¹²⁹ likewise provide for “exclusive rights” in registered trademarks, but the “exclusive rights” cannot successfully be invoked unless the accused use is a trademark use, i.e., the use is for the purpose of distinguishing the user’s goods or services. Therefore, under U.S. or Canadian law, the use of another’s mark in honest comparative advertising cannot be an infringement. In the EU, use of a mark that is protected by the Misleading and Comparative Advertising Directive (MCAD)¹³⁰ does not constitute an infringement, but some tension exists between the MCAD and the TMD, and the precise boundary between them is not entirely clear, at least to the author.¹³¹

In *Arsenal*,¹³² the ECJ confirmed that any use that wrongfully creates the impression of a link between the defendant’s goods and those of the trademark owner is liable to be enjoined under Article 5(1) of the TMD.

Article 5(5) provides:

127. adidas-Salomon AG et al. v. Fitnessworld Trading Ltd, Case C-408/01, [2003] ECR I-12537 (ECJ Oct. 23, 2003).

128. 15 U.S.C. §§ 1057(b), 1114(a), (b).

129. Section 19 of the TMA, which should be read together with section 20, requires proof of likelihood of confusion. In addition, the accused mark must be used as a trademark for liability to attach, i.e., use for the purpose of distinguishing the defendant’s goods or services.

130. Council Directive 84/450/EEC of 10 September 1984 Concerning Misleading and Comparative Advertising (1984 OJ L 250, 17), as amended by Directive 97/55/EC of the European Parliament and of the Council of 6 October 1997, 1997 OJ L290/18.

131. See, e.g., O2 Holdings Ltd et al. v. Hutchison 3G UK Ltd, Case C-533/06, [2008] ECR I-04321 (ECJ June 12, 2008), holding that a trademark owner can prevent use of its mark in comparative advertising provided it can show that there is a likelihood of confusion as defined in Article 5(1)(b) of the TMD.

132. Arsenal Football Club plc v. Matthew Reed, Case C-206/01, [2002] ECR I-10273 ¶ 41 (ECJ Nov. 12, 2002). See also adidas-Salomon AG et al. v. Fitnessworld Trading Ltd, Case C-408/01, [2003] ECR I-12537 ¶ 39 (ECJ Oct. 23, 2003); adidas AG & adidas Benelux BV v. Marca Mode CV et al., Case C-102/07, [2008] ECR I-2439 ¶¶ 41, 42 (ECJ Apr. 10, 2008).

5. Paragraphs 1 to 4 shall not affect provisions in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, *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.* [Emphasis added.]

This provision, which likewise is not mandatory, to date has been adopted only in Benelux law.¹³³ It provides even broader protection than Article 5(2).

B. Must the Use Be “Use” Qua Trademark?

In *Opel*,¹³⁴ the referring German court called upon the ECJ to interpret Articles 5(1)(a) and 5(2) of the TMD in relation to the unauthorized use of the OPEL trademark in connection with the sale of toy replicas of OPEL cars. The question put to the ECJ is whether the defendant Autec’s use of the OPEL mark can be prohibited under Article 5(1)(a) only if the use in question is use *qua* trademark. Instead of answering that straight-forward question directly, the ECJ observed that the plaintiff’s exclusive right under Article 5(1)(a) is restricted to “cases in which a third party’s use of the sign *affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods*” (emphasis added).¹³⁵ Presumably this means that the accused use must be a trademark use: it is interesting that the ECJ did not see fit to say so directly. The case was remanded to the German court to determine this question of fact, which found against the plaintiff on the ground that the public in Germany would not associate Autec’s use of the OPEL trademark with the plaintiff. This must mean that the defendant’s use of OPEL on replica cars was not use *qua* trademark, otherwise its activity most certainly would constitute infringement. The same result would have obtained in the United States or Canada on the same facts on the simple basis that Autec’s use of OPEL is not a trademark use. In both the United States and Canada, the owner of a registered trademark is entitled to its exclusive use, but this does not apply to uses that are not trademark uses, such as use in honest comparative advertising.

With regard to Article 5(2), the ECJ held that the owner of a trademark is entitled to prevent use of a sign “if, without due cause, use of that sign takes unfair advantage of, or is detrimental to the distinctive character or the repute of the trademark.” This

133. Article 2.20.1(d) BVIE.

134. Adam Opel AG v. Autec AG, Case C-48/05, [2007] ECR I-1017 (ECJ Jan. 25, 2007).

135. *Id.* para. 21.

likewise is a question of fact, to be decided by the national court, which likewise ruled against the plaintiff. Thus, although Article 5(1) of the TMD, like the TDRA, appears now to apply to third-party uses of trademarks for the purpose of distinguishing the third party's goods or services from those of others, Article 5(2) is not so limited, i.e., it applies to any use of a trademark that creates a link in the mind of the public between the trademark owner's trademark and the trademark used by the third party, irrespective of whether that use is as a trademark, provided the trademark owner's trademark has a reputation in the relevant Member State.¹³⁶

Although the provisions of Articles 4(4)(a) and 5(2) refer to circumstances where the respective goods or services are not similar, it has been held that these provisions apply likewise to cases involving similar goods and services.¹³⁷ Note that Article 5(2) applies, in relation to taking "unfair advantage," irrespective of whether the use of the accused trademark harms the owner of the prior mark.¹³⁸ This is opposite to section 22 of the TMA, where proof of depreciation of the goodwill symbolized by the registered trademark is a requirement for relief.

C. Use of a Sign That Is Detrimental to the Distinctive Character of a Trademark

In *Intel v. CPM*,¹³⁹ CPM registered the trademark INTELMARK for "marketing and telemarketing services" in the United Kingdom. Intel applied for a declaration of invalidity before the Intellectual Property Office (IPO) based primarily on the reputation of the INTEL trademark and the claim that the use of INTELMARK would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the INTEL mark, contrary to Article 4(4)(a) of the TMD.

The IPO held against Intel, following which Intel appealed to the High Court, which likewise dismissed the application. Intel

136. *Id.* See also *adidas-Salomon AG et al. v. Fitnessworld Trading Ltd*, Case C-408/01, [2003] ECR I-12537 (ECJ Oct. 23, 2003) (marks understood by the public to be merely an embellishment are unlikely to be capable of creating the requisite link).

137. *Davidoff & Cie SA et al. v. Gofkid Ltd*, Case C-292/00, [2003] ECR I-00389 (ECJ Jan. 9, 2003).

138. *L'Oreal SA & Ors v. Bellure NV & Ors*, [2010] EWCA Civ 535, para. 15. See also Gangjee & Burrell, *A Brief Note on L'Oreal and the Prohibition on Free Riding*, Research Paper No. 09-32, SSRN <http://ssrn.com/abstract=1491402>.

139. *Intel Corp. Inc. v. CPM United Kingdom Ltd*, Case C-252/07, [2008] ECR I-08823 (ECJ Nov. 27, 2008); *Sigla SA v. OHIM*, Case T-215/03, [2007] ECR II-711 ¶ 39 (CFI Mar. 22, 2007).

then appealed to the Court of Appeal.¹⁴⁰ Lord Justice Jacob referred a number of questions to the ECJ, which held as follows.

First, the ECJ observed that Articles 4(4)(a) and 5(2) of the TMD are intended to give trademarks “with reputation” the same protection.¹⁴¹ In other words, the provisions relating to invalidity and infringement in both Articles 4(4)(a) and 5(2) are essentially identical. In each case, in order for a prior mark to qualify for protection, the public must make a connection between the prior mark and the accused mark (“link”).¹⁴² This is similar to the requirement under Canadian law, but is unlike the TDRA, where “association” is not necessarily a precondition, but rather a factor in assessing likelihood of dilution. Under the TMD, therefore, a link is a condition precedent for proving dilution either under Article 4(4)(a) or 5(2). The absence of such a link means that the accused mark would not be likely to take unfair advantage of, or be detrimental to, the distinctive character or repute of the owner’s mark. Proof of such a link tends to reinforce the conclusion that the prior mark has a sufficient reputation as to be entitled to protection. Moreover, following *Intel*, proof of economic harm likely to be suffered by the trademark owner is essential in a blurring claim, whereas the TDRA does not require a showing of any economic harm to the trademark owner.

Second, the ECJ held that the portion of the public that is relevant to determining a mark’s distinctiveness and reputation is assessed by reference to “average consumers of the goods or services for which that mark is registered.” In other words, it is sufficient to prove the requisite link among a “niche” group of consumers, i.e., the consumers of goods or services of the kind associated with the prior mark.¹⁴³ This is similar to the situation in Canada under section 22 of the TMA, and is to be contrasted with the TDRA, which requires proof of reputation among “the general consuming public” and therefore excludes “niche” fame.

140. *Intel Corp. Inc v. CPM United Kingdom Ltd*, [2007] EWCA Civ 431.

141. See *adidas AG & adidas Benelux BV v. Marca Mode CV et al.*, Case C-102/07, [2008] ECR I-2439 (ECJ Apr. 10, 2008); *adidas-Salomon AG v. Fitnessworld Trading Ltd*, Case C-408/01, [2003] ECR I-12537 (ECJ Oct. 23, 2003).

142. See also *adidas v. Fitnessworld*, para. 29.

143. The ECJ put the converse situation as follows: “It is . . . conceivable that the relevant section of the public as regards the goods or services for which the earlier mark was registered is completely distinct from the relevant section of the public as regards the goods or services for which the later mark was registered and that the earlier mark, although it has a reputation, is not known to the public targeted by the later mark. In such a case, the public targeted by each of the two marks may never be confronted with the other mark, so that it will not establish any link between those marks.” (*Id.* para. 48.) See also *General Motors Corp. v. Yplon SA*, Case C-375/97, [1999] ECR I-05421 para. 31 (ECJ Sept. 14, 1999), (“a registered trade mark must be known by a significant part of the public concerned by the goods and services which it covers.”).

Third, even if the necessary link can be established, relief is not available in a blurring claim for conduct detrimental to the distinctive character of a trademark, as opposed to taking “unfair advantage,” unless the owner of the prior mark can prove economic harm, or a likelihood of economic harm by reason of the use of the accused mark. There must be “evidence of a change in the economic behavior of the average consumer of the goods or services for which the earlier mark was registered, . . . or a serious likelihood that such a change will occur in the future.” Effectively, this means that it will be difficult to succeed in any action for dilution based on blurring without proof of at least a likelihood that the trademark owner will suffer economically unless the alleged dilution is abated.¹⁴⁴ If that is the correct interpretation, few trademark owners likely will be able to prove dilution by blurring.¹⁴⁵ That said, cases may arise where the equities more strongly favor the trademark owner, in which case it may be easier for the trademark owner to prove that it is likely to suffer economic harm.¹⁴⁶ Proof that the owner of the accused mark benefits commercially from the use of that mark is irrelevant to proving detriment to the trademark owner.¹⁴⁷ In contrast, in *L’Oreal*, as discussed below, the ECJ did not consider proof of a likelihood of economic harm to the trademark owner as essential to a case based on taking “unfair advantage.”

D. Use of a Sign That Is Detrimental to the Repute of a Trademark

In addition to protection against blurring, Article 5(2) protects against acts that are detrimental to the distinctive character or the repute of the trademark. The extent of the required reputation is not defined, other than that it must exist in a Member State, of which at present there are 27. As will be seen, contrary to the TDRA, “niche” fame is sufficient.

In *adidas v. Fitnessworld*,¹⁴⁸ AG Jacobs put it succinctly as follows: “Tarnishment of the mark, describes the situation where

144. See Susie Middlemiss & Steven Warner, *The Protection of Marks with a Reputation*: *Intel v. CPM*, EIPR 326.

145. For a softer view, see Citigroup, Inc. & Citibank, NA v. OHIM–Citi, Case T-181/05, [2008] ECR-II-669 (CFI Sept. 14, 1999), reversing a decision of the Board of Appeal that held that CITIBANK could not be considered similar to CITI. The fact that CITI is a prominent element of both marks, and CITIBANK enjoys a strong reputation in the EU, mitigated in favor of application of Article 8(5) of the Community Trade Mark Regulation (similar to Article 5(2) of the TMD).

146. For example, the burden of proof of economic harm should not be difficult to discharge in cases involving blatant tarnishment.

147. [2008] ECR II-669 para. 78.

148. Case C-408/01, [2003] ECR I-12537 para. 38 ((ECJ July 10, 2003)).

the goods for which the infringing sign is used appeal to the public's senses in such a way that the trademark's power of attraction is affected." Clearly, he was thinking in terms of a negative impact in the mind of the public. EU case law in this area is in its nascent stage, and at present it is not exactly clear what the boundaries are. For example, any comparative advertisement between the goods of a market leader and of a newcomer may to some extent affect the repute of the market leader's trademark. If the newcomer's goods are of shoddy quality, or if the comparison otherwise is unfair, this may constitute tarnishment, but determining where or how exactly to draw the line may be problematic, especially if there are issues involved relating to freedom of speech or of artistic expression.

E. Taking Unfair Advantage

In *L'Oreal*, the plaintiff brought an action to restrain the use of its trademarks TRÉSOR, MIRACLE, ANAÏS ANAÏS, and NOA in connection with the defendant's promotion in the United Kingdom of its "smell-alike" perfumes, sold under the trademark CREATION LAMIS. The defendant imitated the plaintiff's bottle designs and packaging and distributed comparison lists to retailers using the plaintiff's trademarks. Claims based on trademark infringement and passing off failed at first instance, and the Court of Appeal rejected the argument that passing-off law should be extended "to some sort of nebulous tort of "unfair competition." As other issues of trademark law were unclear, the Court of Appeal referred five questions to the ECJ.¹⁴⁹ The first two questions related to interpretation of infringement under Article 5(1)(a) of the TMD, and the third and fourth questions related to comparative advertising under the MCAD. Question 5 asked whether Article 5(2) of the TMD must be interpreted as meaning that use by a third party of a sign with a reputation can be held to take unfair advantage of the mark where such use gives that party an advantage in the marketing of his goods or services without giving rise to a likelihood of confusion or causing or being likely to cause detriment to the mark or the reputation of its proprietor.

The ECJ held that:

where a third party attempts, through the use of a sign similar to a mark with a reputation, 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 and without being required to make efforts of its own in that regard, the marketing effort expended

149. *L'Oreal SA & Ors v. Bellure NV & Ors*, [2007] EWCA Civ 968 (Oct. 10, 2007).

by the proprietor of that mark in order to create and maintain the image of that mark, 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 that mark.¹⁵⁰

In effect, this means that marketing efforts in promoting trademarks that become famous may be entitled to protection even in the absence of any likelihood of confusion, blurring, tarnishment, or economic harm to the trademark owner.

When the hearing of the appeal resumed before the Court of Appeal following the ECJ decision, Lord Justice Jacob expressed his consternation with the decision in blunt terms, as follows:

Does trade mark law prevent the defendants from telling the truth? Even though their perfumes are lawful and do smell like the corresponding famous brands, does trade mark law nonetheless muzzle the defendants so that they cannot say so? I have come to the conclusion that the ECJ's ruling is that the defendants are indeed muzzled.¹⁵¹

In the result, the Court of Appeal found that comparison lists used by the defendants in marketing their “smell-alike” perfumes constituted an infringement of the plaintiff’s trademark rights pursuant to Article 5(1)(a) of the TMD, so it was unnecessary for the court to determine whether there had also been infringement of Article 5(2) as well. Lord Justice Jacob stated that had it been necessary for him to decide, he would have been bound by the ECJ’s decision to find that the comparison lists were a violation of Article 5(2) as being free-riding of the kind condemned by the ECJ.

The ECJ’s decision in *L’Oreal* potentially is far-reaching in its scope, because of the reference in the decision to the general objective of protecting the “attractive function” of trademarks, including communication, investment, or advertising.¹⁵² Is not a primary purpose of advertising to gain market share at the expense of competitors? To the extent that the advertising is successful, the brand value of competitive products must be affected, and clearly that is not an offense. To be sure, it is unlikely that the ECJ intended such far-reaching effect from its decision, but where exactly does one draw the line between honest advertising that boosts sales at the expense of competitors, and advertising that is considered a free-ride? Is any form of “taking advantage” *ipso facto* unfair? In short, does the prohibition against “free-riding” unduly interfere with the right of commercial freedom

150. *L’Oreal SA et al. v. Bellure NV et al.*, Case C-487/07, [2009] ECR I-5185 para. 49 (ECJ June 18, 2009).

151. [2010] EWCA Civ 535 paras. 6-7 (May 21, 2010).

152. [2009] ECR I-5185 para. 58.

of expression, and should it even be applied to non-commercial expressions, however offensive they may be? The ECJ's decision in *L'Oréal* does not refer to rights of free expression guaranteed by the European Convention of Human Rights (ECHR), so at present it is uncertain whether, or to what extent, the ECHR protects the right of commercial free speech when such right collides with a prior trademark right.

For these reasons among others, many legal scholars criticize *L'Oréal*.¹⁵³ They point out that the decision does not give any clear indication for distinguishing between what is "unfair" and what is "fair." They say that the decision focuses on the advantage gained by the defendant rather than any harm caused to the plaintiff or to the plaintiff's trademark. Carried too far, this could have a profound negative effect on competition. Although compliance with MCAD protects the usual kinds of comparative advertising, not every form of comparative advertising will qualify for MCAD protection, thus leading to uncertainties as to whether the impugned conduct is "unfair." In addition, the ECJ did not indicate whether the "unfair advantage" in *L'Oréal* occurred with respect to the distinctive character of the trademark or to the repute of the trademark. If Article 5(2) is applied to cases involving taking "unfair advantage" of the distinctive character of a prior trademark, it would follow that this could be actionable even in the absence of proof of any harm to the prior trademark, precisely the opposite to what was held in *Intel*. It is therefore submitted, or at least hoped, that to the extent that Article 5(2) is applied to anything other than replica perfumes, it will effectively be restricted to cases involving taking unfair advantage of the "repute" of the prior trademark, rather than the "distinctive character" of the prior trademark.

The decision also has its supporters: Alexander von Mühlendahl has called it "a breath of fresh air from Luxembourg."¹⁵⁴ Also, a great deal depends on the manner in which the owner's mark is used. For example, a comparison chart of the kind used in *L'Oréal* invites the reader to assume that one

153. See, e.g., Gangjee & Burrell, *A Brief Note on L'Oréal and the Prohibition on Free Riding*, University of Queensland Research Paper No. 09-32 (2009), <http://ssrn.com/abstract=1491402>; Gangjee & Burrell, *Because You're Worth It: L'Oréal and the Prohibition on Free Riding*, 73(2) Mod. L. Rev. 282 (2010); Mark Ellis, *Does the trademark concept of unfair advantage guard against justifiably harmful free-riding or do brands free ride on the protection of the law to avoid legitimate competition?* [p://ipkitten.blogspot.com/2009/06/oreal-v-bellure-at-e.html](http://ipkitten.blogspot.com/2009/06/oreal-v-bellure-at-e.html).

154. Alexander von Mühlendahl, *The Bardehle Pagenberg IP Report*, 2009/III at 11. See also Gert Würtenberger, *L'Oréal v. Bellure: An Opinion*, JIPLP, <http://jiplp.blogspot.com/2010/08/oreal-v-bellure-defending-ej-against.html>; Per Luigi Roncaglia & Giulio Sironi, *Trademark Functions and Protected Interests in the Decisions of the European Court of Justice*, 101 TMR 147, 170 (2011).

product is the functional equivalent of another, as would be the case, for example, when looking at a comparative chart for interchangeability of batteries, light bulbs, etc. In *L’Oreal*, the trial judge proceeded on the basis that the respective products smelled alike, and discounted evidence from several witnesses that the replica products smelled stronger than the luxury brand perfumes. On the other hand, if the message had been, “If you like X, try our Y, which is less expensive,” that would have been protected under the MCAD and would therefore not have violated Article 5(1) or (2). The factor that may have influenced the ECJ is that the replica products in *L’Oreal* are aimed at people who may never have experienced the luxury brand product, and yet have observed advertising and formed a favorable impression of the luxury brand. The unfairness of taking advantage of this publicity is what the ECJ called into question.

As is the case in the United States and Canada, the trademark rights protected by Article 5(2) of the TMD potentially collide with the public’s right of free expression, which is embodied in Article 10 of the ECHR as well as in the individual laws of Member States of the EU. Unlike the TDRA, but like section 22 of the TMA, the TMD does not contain any “fair use” provisions that expressly exclude application of its provisions to either non-commercial or commercial uses in furtherance of one’s freedom of expression. Determining where to draw the line is a challenge, as it is elsewhere, but the following is clear: interpreting Article 5(2) too broadly would amount to granting the trademark owner a “pointless monopoly.”¹⁵⁵ Cases involving parodies of famous trademarks that may be amusing to people other than the owners of the parodied trademarks could be actionable if the court concludes that the principal motive of the defendant is to use the parodied trademark to draw attention to his or her goods for profit, rather than to address a social, cultural, or political issue.¹⁵⁶ Conversely, if the expression itself is non-commercial and

155. Per Lord Justic Jacob in *L’Oreal SA & Ors v. Bellure NV & Ors*, [2010] EWCA Civ 535, U.S. law is by no means immune from dilution law being used to create a “pointless monopoly”: see *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) (where Nabisco was enjoined under the FTDA from selling fish-shaped, bite-sized crackers on the ground of dilution despite the fairly obvious fact that Nabisco was not using its fish-shaped crackers as trademarks). See also Brian Lerner, *Sneaking Through the Back Door with Pepperidge Farm: The Monopoly Advantage of Dilution*, 20 Loy. L.A. Ent. L. Rev. 429.

156. E.g., MR.MISS WORLD, for a televised beauty pageant for transvestites and transsexuals in Thailand, constitutes actionable free-riding on the trademark MISS WORLD: *Miss World Ltd. v. Channel Four Television Corp.*, [2007] EWHC 982. Compare *Laugh It Off Promotions CC v. South African Breweries*, Case CCT 42/04 (Constitutional Court of South Africa) (BLACK LABOUR and WHITE GUILT on T-shirts imitating the design of Carling’s BLACK LABEL beer trademark held protected by Constitution of South Africa).

communicates a social, cultural, or political message or an otherwise legitimate expression, it should be protected even if the medium in which the expression is contained is of a commercial nature.

It goes without saying that trademark owners would be well advised to be cautious about enforcing their rights even if they feel that they have been victimized, in cases where there is a serious issue of freedom of expression. Louis Vuitton's suit¹⁵⁷ against the Danish artist Nadia Plesner, who created a painting called "Darfurnica," depicting a Darfur victim carrying a Louis Vuitton bag, is an example of why well-advised trademark owners should think twice before commencing action against persons exercising legitimate rights of free expression. That suit was dismissed with legal costs awarded against Louis Vuitton.

F. Critique of EU Law

The principal deficiency of the TMD is that it lacks balance between legitimate exercise of trademark rights and the public's right of free expression. It strongly protects the rights of trademark owners against source confusion, dilution through blurring and tarnishment, and also "free-riding," but it fails to indicate any free speech limitations on such rights such as those imposed by national laws as well as the ECHR. It is submitted that irrespective of the value of the affected trademarks, or of the investment of time and effort in creating the reputation they symbolize, safeguarding the interest of the public in the free communication of ideas is at least as important as safeguarding the rights of trademark owners. Tolerance of such rights of free expression, even if they are offensive to one's sense of propriety, is a small price to pay for the privilege of living in a free society.

The second criticism is related to the first. The TMD does not sufficiently stress the right of the public and other traders to enjoy freedom of competition. This is indicated, for example, by the fact that a trademark owner may be entitled to relief against free-riding even if it is unable to prove any actual or likely financial harm.

Third, the limits of the free-riding provisions of Article 5(2) are sketchy. Any law that has the potential for impeding honest competition should be very carefully defined so that the boundaries of such rights are as clear as possible. In contrast, the boundaries of Article 5(2) are vague: what is unfair to one person may be

157. Nadia Plesner v. Louis Vuitton Malletier SA, No. KG ZA 11-294 (Court of The Hague May 4, 2011). The decision vacated an *ex parte* order prohibiting her from using a depiction of a Louis Vuitton bag in her artistic work.

perfectly reasonable to another, as evidenced in the radically different views of the ECJ and the U.K. Court of Appeal in *L’Oreal*.

V. CONCLUSIONS

Many trademark scholars oppose extension of trademark law to dilution and free-riding, essentially on the grounds that the social costs outweigh any benefits, that such laws tend to encourage anti-competitive behavior, and that dilution and free-riding remedies are unnecessary in all but a few cases.¹⁵⁸ To date, comparatively few reported cases under the TDRA find blurring without a likelihood of confusion. Likewise, there are relatively few successful U.S. tarnishment cases trumping trademark rights over the right of commercial or non-commercial free speech. Free-riding law in the EU is a major departure from conventional trademark law (if indeed it has any rational connection with trademark law) with the potential for creating unjustified monopoly rights in trademarks to the detriment of the public.

All that said, there remains a need, in the author’s view, for appropriate protection for famous trademarks against blurring and tarnishment, but not “free-riding.” The problem is how to do justice to those trademarks that require relief from dilution, while discouraging spurious, anti-competitive litigation that puts dilution law into disrepute. Given the unlikelihood of legislative amendment to existing dilution and free-riding laws in the near future, it will be left to the courts to interpret the laws in a balanced and nuanced manner. Courts should therefore continue to approach dilution cases cautiously, giving the legislation a purposive construction, and requiring clear proof that a majority of consumers, at least in the niche in which the owner’s mark is famous, associate the accused mark and the famous mark. Also, it should be recognized that famous marks have, by reason of their very fame, a high degree of built-in protection against dilution, so not every trivial insult to a famous trademark should justify a costly lawsuit. In any case, owners of famous trademarks should realize that dilution actions have the potential for giving much wider public exposure to annoying but relatively unknown trademarks, such as CHEWY VUITON.

Trading on the cachet of a famous mark, such as occurred in *L’Oreal*, initially seems unfair, but positioning one’s product so as to benefit from the reputation of a market leader is a fact of modern marketing. *L’Oreal* therefore begs the question as to where or how to draw the line in enjoining truthful commercial

158. See, e.g., Robert G. Bone, *Schechter’s Ideas in Historical Context and Dilution’s Rocky Road*, 24 Santa Clara Computer & High Tech. L.J. 469 (2007-2008).

expressions. In the author's view, it would be best not to proceed down this path at all.

The author proposes an amalgam comprising the best aspects of the legal systems discussed above, according to which injunctions and monetary damages in dilution cases would be restricted to cases where there is clear evidence that (1) a majority of consumers in the niche in which the owner's mark is known associate the accused mark with the owner's mark and the owner's mark is substantially unique both within and outside such niche;¹⁵⁹ (2) there is evidence that such association has damaged or unless restrained is likely eventually to damage the distinctiveness or reputation of the owner's mark; (3) the accused mark is used as a trademark, i.e., for the purpose of distinguishing goods or services; and (4) there is no fair use or free speech justification for the use of the accused mark. If the requisite degree of association exists, only relatively famous and unique marks are likely to meet the proposed standard of association. In addition, according to these conditions, it would be difficult for a trademark owner to make out a case based on "free-riding" in the absence of convincing proof of likely harm to the distinctiveness of the owner's trademark or to the goodwill it symbolizes, irrespective of whether there is any likelihood of economic harm to the trademark owner.

159. McCarthy has suggested the figure of 75% of the "general consuming public of the United States": see 4 *McCarthy*, *supra* note 6, § 24:106.