“With the current trend of out-sourcing the manufacturing of goods, trademarks no longer serve usefully to indicate the origin of the goods. Trademark protection should therefore focus on the marketing function and on association and dilution.”
Introduction

Trade Marks are distinctive signs which were primarily introduced to operate as indicators of the trade source from which the goods or services originate.\(^1\) In other words trademarks could be considered to be a short way of communicating information to consumers\(^2\) about the market details of a product such as origin, prices, and quality.\(^3\) The consumer is entitled to have complete and correct information about the market details of the product in order to be able to make an informed choice between the increased variety of choice of a product.\(^4\) This requires effective protection of the trademarks against any infringement.

Originally, establishing Trade Mark (TM) infringement was dependent solely on whether there was confusion as to the origin of a TM\(^5\) since it was considered that the primary function of TM, if not the only one, was to identify the origin of the products or services.\(^6\) With the passage of time however, it was acknowledged that TMs do not serve only that purpose\(^7\) but they also function as guarantee of quality and as an advertising tool.\(^8\) This therefore suggests that TM protection should focus on these functions as well and that the finding of TM infringement should not be confined to situations where there is confusion as to the origin of a specific product.

Through advertising, TMs obtain reputation and any protection possibly given to the advertising function is actually conferred to the TM with reputation, which under section

\(^3\) Rosler, H ‘The rational for European Trade Mark protection’ (2007) 29(3) EIPR 100, 104.
\(^4\) Ibid 104.
\(^7\) Case C-206/01, Arsenal Football Club v Reed [2002] ECR I-10273 [A46]
\(^8\) Cornish (n 1) 655.
10(3) of the Trade Mark Act 1994, (TMA) will be infringed if the use of a similar sign lead to the weakening of the distinctiveness or reputation of the sign. This is considered to be the requirement of dilution, which will be applied in cases of famous TMs and in these cases confusion as to origin will not be required. Cornish states, when there is a discussion about the proper scope for the legal protection of TMs their functions should be the starting point.\textsuperscript{9}

As will be shown throughout the essay, dilution as a standard for finding infringement in cases of famous TMs seems to be less stringent than the ‘likely of confusion requirement’ and its application indicates the importance of protecting the advertising function of TM.

**Origin Function and ‘Likelihood of Confusion’**

Trade Marks were introduced primarily to identify the origin of a product and therefore to distinguish a specific product from identical or similar products of a different company.\textsuperscript{10} That is to say, that the consumer must be able, to determine the origin of the product which bears the TM after he is being confronted with it.\textsuperscript{11} Article 2 of the Trade Mark Directive\textsuperscript{12} also confirms that the primary function of a registered TM is the indication of origin as it states, that only signs that are capable of distinguishing goods or services of one company from those of other companies may constitute a TM.\textsuperscript{13}

In order to prove TM infringement in the case where two signs are similar or identical and they are used for similar or identical goods or services section 10(2) of TMA applies and requires that there must be ‘likelihood of confusion’ as to the origin of the

\textsuperscript{9} Cornish (n 1) 655.
\textsuperscript{13} Yelnik (n 11) 212.
That is to say that if a consumer after being confronted with a sign on a product is likely to be confused about the origin of the product due to similarity of the sign with a trade mark then the trademark will have been infringed. Therefore the standard of ‘likelihood of confusion’ for proving infringement is linked essentially with the function of origin which implies that the paramount consideration in finding infringement is the protection of the function of origin.

The great importance of the origin function of TM was also recognized by the ECJ in *Arsenal v Reed* where it was stated that the primary and ‘essential function of a TM is to guarantee the identity of origin of the marked goods’. In this case Reed sold memorabilia bearing signs that Arsenal had already registered as TMs in relation to its own memorabilia. Arsenal sued Reed for TM infringement under section 10(1) of the TMA 1994(implementation of Article 5(1) of the Trade Mark Directive) which prohibits use of a sign that is identical to the trade mark in relation to identical goods or services. Reed argued that there wasn’t any infringement because there was no use in the course of trade as he used the sign just to express loyalty towards the club.

The CA and the ECJ rejected the argument of Reed and it was established that the relevant question to be asked in order to find infringement, in cases where there is use of identical signs for identical goods, is whether there was damage to the essential function of the TM as a symbol of origin. Since it was impossible for anyone to

---

14 TMA 1994 s 10(2).
15 Torremans (n 5) 433–434.
16 Torremans (n 5) 433–434.
17 Arsenal v Reed (n 7).
18 Ibid (A48).
19 Trade Mark Act 1994, s 10(1).
20 Arsenal v Reed (n 7).
21 Ibid.
determine whether Reed’s memorabilia originated from him or from Arsenal the origin function of the TM was affected and therefore infringement was established.\(^{22}\)

Nevertheless, when Arsenal was referred to the ECJ, AG Colomer stated that it would ‘be simplistic reductionism to limit the function of the trade mark to an indication of trade origin’.\(^{23}\) Additionally AG Colomer stated that a TM apart from trade origin can indicate at the same time reputation of its proprietor and the quality of the goods it represents.\(^{24}\) This view is also supported by Schechter\(^ {25}\) who said that it is out-dated to say that a trademark will be protected only when there is confusion as to origin.\(^ {26}\)

Torremans\(^ {27}\) points out that the modern commercial field due to outsourcing, franchising and licensing has departed from the idea of ‘one manufacturer and one mark in a situation where every manufacturer produced its own products.’\(^ {28}\) This leads to the situation where the TM does no longer guarantee that everything labelled with that mark being manufactured by the same manufacturer.\(^ {29}\) AG Colomer in Arsenal seems to confirm that view as he stated that ‘in most cases, the user is unaware of who produces the goods he consumes’.\(^ {30}\)

Simon, also states that although TMs were originally used to identify the physical source of the goods that bear the TM the development of mass production change their role and instead of notifying customers about the identity of a particular known source, TMs

\(^{22}\) Torremans (n 5) 430.

\(^{23}\) Arsenal v Reed( n 7)[A46.]

\(^{24}\) Arsenal v Reed( n 7) [A47]

\(^{25}\) Schechter, F ‘The rational basis for trade mark protection’ (1926-7) 40 Harvard LR 813-33,818-19.

\(^{26}\) Ibid.

\(^{27}\) Torremans (n 10)

\(^{28}\) Ibid 302.

\(^{29}\) Ibid

\(^{30}\) Arsenal v Reed (n 7) [A46]
started to be viewed as an indication that all goods that bear the TM originate from a single source which is not necessarily known to the consumers.\(^{31}\)

It has been stated that the TM to be able to successfully fulfil its essential function as an indicator of origin it must guarantee that all the goods that bear the TM have originated under the control of a single undertaking which is responsible for the quality.\(^{32}\) Thus according to the modern origin theory, the TM will not show the exact origin of a product, but will allow the consumers to link a product to a certain undertaking.\(^{33}\)

Consequently, it could be argued that nowadays it is partly wrong to say that TM indicates successfully the origin of the goods and that it is the paramount function of a TM and therefore protection should be extended to other TM functions as well. Since TMs also make statements about quality and reputation as AG Colomer stated in Arsenal\(^ {34}\) it is suggested that trademark protection should be focused on these functions as well rather than on the indication of origin function.

**Advertising Function of TM**

In Arsenal, although the ECJ acknowledged that TMs may have additional functions it did not clarify what these functions are.\(^ {35}\) In a *L’Oreal*\(^ {36}\) however, a recent case, the ECJ make clear this position and expanded TM protection, by stating that a TM does not include only its essential function which is to indicate the origin of the goods but also

\(^{31}\) Simon, I ‘The Functions of Trade Marks and their Role in Parallel Importation Cases -- What Can the EU and Japan Learn from Each Other’s Experiences?’ (2007) IIP Bulletin 1, 2.


\(^{33}\) Trade Mark Directive Recital 10.

\(^{34}\) Arsenal v Reed (n 7) [A46].


\(^{36}\) L’Oréal SA v Bellure NV [2010] R.P.C. 1
other functions such as guaranteeing the quality of the goods or services, and those of investment, communication or advertising.\(^{37}\)

Advertising a TM has the potential to create an image around the TM distinct from the physical nature of the goods themselves, which will be called to mind when consumers will subsequently see the mark.\(^{38}\) The function of advertising, is said to be an important function of TMs since, through advertising the TM will obtain reputation.\(^{39}\) Reputation of the TM is something which is definitely entitled to be protected from any impairment by third party as any harm to it would result to the detriment of the product itself.

Therefore a good advertising surrounding the TM will be very important and valuable in respect of the reputation it will give to the TM and therefore to the product itself.\(^{40}\) The reputation and goodwill of the TM will be therefore protected through the successful protection of the advertising function of TMs. Rosler\(^{41}\) and Psaroudakis\(^{42}\) state that the advertising function of the TM will protected only through the doctrine of dilution.\(^{43}\)

**Dilution and Association**

Dilution is a doctrine that allows the protection of the uniqueness or distinctiveness of a famous trademark and therefore trademark dilution will be a ground of trademark infringement.\(^{44}\) Dilution will be proved if there has been blurring or detriment to the distinctive character of the TM or tarnishment i.e. where the reputation of the TM is harmed through negative associations.\(^{45}\) In Europe, unfair advantage of a TM’s

---

\(^{37}\) Ibid [58].
\(^{38}\) Simon(n 31) 2.
\(^{39}\) Yelnik (n 11)
\(^{41}\) Rosler (n 3)
\(^{42}\) Psaroudaki, G, ’In search of the trade mark functions: keyword advertising in European law.’ (2012) 34(1) EIPR 33.
\(^{43}\) Ibid 33
\(^{44}\) Aplin and Davis (n 6) 332.
uniqueness or reputation is considered to fall in the scope of dilution. ‘Unlike blurring and tarnishment, unfair advantage requires no harm to the senior trade mark. Instead, a benefit to the junior user must be shown’. 

The advantage of the concept of dilution is that all forms of dilution namely blurring, tarnishment and unfair advantage are free from the traditional limitations on TM infringement. For example there is no requirement to show that the consumers were confused and there is also no need for the parties’ goods or services to be similar or identical.

In UK law dilution provisions are laid down in the TMA 1994 under section 10(3) which provides that the requirement of confusion as to origin is not necessary in order to find infringement, provided that certain requirements are met. Section 10(3) provides that ‘a person infringes a registered trade mark if he uses in the course of trade a sign which— (a)is identical with or similar to the trade mark, and (b)is used in relation to goods or services which are not similar to those for which the trade mark is registered, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark’.

As already stated s.10(3) applies to cases where the TM has a reputation i.e it is a strong or famous mark. Since a TM has a reputation, this suggests that it is entitled to

46 Ibid.
48 Ibid
49 Ibid.
50 Adidas-Salomon v Fitnessworld Ltd [2004] FSR 21
51 Torremans (n 5) 439.
52 TMA 1994 s 10(3)
53 Ibid
enjoy stronger protection and that’s why there is no need for confusion as to origin in order to find infringement.54

In Addidas v Fitnessworld55 it was stated that the idea of detriment to the distinctive character of a trade mark, as referred in s 10(3), reflects to what is generally referred to as dilution and that ‘dilution’ as a notion was first expressed by Schechter.56

Therefore Section 10(3) of TMA (Article 5(2) of TM Directive) as well as section 5(3) of TMA, which provides grounds for refusal of registration of a sign, are aiming to protect TM with a reputation against dilution.57 The important thing about ‘anti-dilution protection is that it protects TM with a reputation, not against confusion as to origin but rather against the damage which might result if the public’s associates a later mark or sign with the earlier registered mark.68.

The reputation of the TM ‘gives it a special kind of goodwill, which is both important for the TM owner and for the public’.59 Therefore it is important that TM law should not permit that goodwill to be diluted without good reason as a result of the use of a similar sign.60

Reputation is achieved when the mark is well known to a large amount of the public and that is usually achieved after extensive promotion and advertising.61 Therefore as Aplin and Davis put it, ‘anti-dilution provisions in TM law are intended to protect marks with a strong advertising function’.62 This comes to confirm the various commentators63 who

54 Torremans (n 5) 441.
56 Ibid.
57 Aplin and Davis (n 6) 280
58 Ibid.
59 Torremans (n 5) 441.
60 Ibid.
61 Yelnik (n 11) 212.
62 Aplin and Davis (n 6) 282.
argue that advertising is an important function of TM law and should be also protected\(^6^4\) as it creates and strengthens consumer goodwill in the mark.\(^6^5\)

As can be seen from the wording of section 10(3), it originally applies only to situations where the goods or services concerned are dissimilar. However, the ECJ in *Davidoff v Gofkid*\(^6^6\) ruled that the Member states are also permitted to apply s. 10(3) where the goods are identical or similar.\(^6^7\)

The concept of dilution has been also recognized under the Benelux Trade Mark Law and it was recognized much earlier than it was recognized under the TM Directive and the TMA 1994.\(^6^8\) According to a Benelux case namely *Claeryn*\(^6^9\), the use of the mark ‘Klarein’ for toilet cleaner infringed the already registered and well know mark ‘Claeryn’ which was for gin. It was accepted that the mark ‘Claeryn’ (which bear phonetic similarity with ‘Klarein’) was diluted and suffered detriment since it will be now associated with a toilet cleaner while before was exclusively associated with gin.

In UK the case started to talk about dilution was *Addidas v Fitnessworld*. In this case the registered proprietor (Adidas) of a specific TM comprising a theme of three parallel vertical stripes of equal width which appeared up and down the whole length of clothing, sued Fitnessworld (F) for TM infringement for the marketing of clothing bearing a theme of two parallel stripes of equal length which appeared up and down the whole length of

---

\(^{63}\) Schechter (n 25), Torremans (n 10) 302.
\(^{64}\) Schechter (n 25).
\(^{65}\) Torremans (n 10) 302.
\(^{66}\) Davidoff v Gofkid [2003] 1 WLR 1734
\(^{67}\) Ibid 1735.
\(^{68}\) Aplin and Davis (n 6)
\(^{69}\) [1975]NJ 472
Adidas(A) alleged that F infringed its TM under s10(3) of TM by using the theme with two stripes on its clothing as this created a likelihood of confusion on the part of the public, since the public might associate that clothing with its sports clothing. A also argued that the sign that F used on its clothing took advantage of the reputation of the Adidas TM resulting in the impairment of the mark.

It was established that confusion is irrelevant to the protection afforded by section 10(3) and what is required so as to find infringement is dilution i.e that the use of the similar sign took unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark. The ECJ in its attempt to define dilution so to determine infringement stated that in the case where the public makes a connection between the sign and the mark i.e. establishes a link between them due to the fact that there is certain degree of similarity between the sign and the mark then this will result in infringement according to the Article 5(2) of the Directive. Therefore according to Adidas there will be an infringement of TM where the public associates or establishes a link between two signs even if it does not confuse them. Moreover it was also stated that in order to say whether the public are likely to establish the necessary ‘link’ the court must have a global appreciation of the visual, aural and conceptual similarity between the registered mark and the allegedly infringing sign. Consequently it is inferred that in order to find dilution is necessary to prove association which means that association and dilution go together and it is the requirement for finding infringement under s.10(3) of TMA.

---

70 Adidas (n 55) 21.
71 Ibid.
72 Ibid.
73 Ibid 27.
74 Ibid 31.
75 Ibid.
76 Ibid.
Torremans points out that someone needs to be careful with the association-dilution requirement in terms of there being a link since in Adidas there was evidence that the public saw the F theme as an embellishment rather than as a mark and it did not associate it with the Addidas TM. The ECJ established that in the case where the public views the sign as an embellishment i.e something that decorates the product rather than functioning as a TM, it is not an obstacle to the protection under Article 5(2) of the Directive as long as the degree of similarity is such so as the public to establishes a link between the sign and the TM. In the case however that the public views the similar sign purely as an embellishment and it does not establish any link with the TM this means that the similarity is not sufficient for such a link to be established and therefore there has not been any infringement. It has been argued that the limits of pure embellishment depend exclusively on the view of consumers and not on the later user’s intention when he uses his mark.

After Adidas the question whether establishing a link will automatically result in dilution, remained open. In Intel v CPM a case concerning a refusal of a sign for TM registration under section 5(3) TMA (or Article 4(4)(a) of TM Directive) that question was answered. Intel held UK and EU TM for the word INTEL for computers and related products and which had a huge reputation in the UK. Another company CPM registered the mark INTELMARK for marketing and telemarketing purposes. Intel invoking Article 4 (4)(a) sought a declaration of invalidity for INTELMARK arguing that the use of the

---

77 Torremans(n 5) 444.
78 Addidas (n 55)41.
79 Ibid.
81 Torreman (n 5) 445.
82 Intel Corp Inc v CPM United Kingdom Ltd [2009] Bus. L.R. 1079
83 Ibid 1079.
84 Ibid.
particular mark was without due cause and would take unfair advantage of and be detrimental to the distinctive character or the repute of its own marks.\(^{85}\)

It was held that the similarity between the two signs was sufficient to establish the necessary link if the sign called the mark to mind of the average consumer.\(^{86}\) However, the fact that a mark, the INTEL mark in this case, had a reputation was not enough to imply a link between the two nor to imply that it would take unfair advantage or be detrimental to the mark.\(^{87}\)

Regarding ‘detriment’, it was established by the ECJ that harm or at least severe likelihood of it should be demonstrated and that the mere existence of a link will not automatically mean that the requirement of detriment has been satisfied.\(^{88}\) The trade mark owner must show evidence of change in the economic behaviour of the average consumer of the goods and services or a serious likelihood that such a change will take place in the future.\(^{89}\)

Returning to the facts of the case, Intel could not demonstrate any evidence that consumers would buy less Intel products due to the use of the sign INTELMARK for marketing and telemarketing services. Therefore, as Torremans states, Intel puts important limits on the potentially broad application of the link doctrine and of section 10(3).\(^{90}\)

Davis\(^ {91}\) argues that the extent to which a TM will be protected against ‘dilution’ it is very critical in a period where a TM is a powerful ‘brand’ whose significance lies as much in its

\(^{85}\) Ibid.
\(^{86}\) Intel 1106.
\(^{87}\) Ibid 1106-1107.
\(^{88}\) Ibid 1095-1096.
\(^{89}\) Intel 1096.
\(^{90}\) Torremans (n 5) 445.
\(^{91}\) Davis, J ‘The European Court of Justice considers trade mark dilution.’ (2009) CLJ 68(2) 290.
advertising function as in its role as a symbol of origin.\(^\text{92}\) She also mentions that some have argued that such protection should be not be confined against dilution of the distinctiveness of the mark, but protection should apply also in the cases where there has been an appropriation of the mark’s value by a third party, even if it does not damage the mark itself.\(^\text{93}\) Having this argument in mind, Davis states that Intel as a judgement is disappointing since it established that a strong mark will not be protected if the use of a similar sign will not affect its distinctiveness and where there is no harm or potential harm to the earlier mark.\(^\text{94}\)

Besides, he points out that requiring damage or a likelihood of future damage in order to find dilution means that the national courts will have to decide and determine what will constitute damage to a mark.\(^\text{95}\) This calculation of whether damage has been occurred on a mark with a reputation, she suggests that it is a complex issue and if the courts in order to avoid that will be satisfied that there will be a likelihood of future damage, then the restrained approach taken by the ECJ to dilution in Intel may well be abandoned.\(^\text{96}\)

In *L’Oreal* however, where attention was given to the meaning of the ‘taking unfair advantage’ of the distinctive character or the reputation of the TM the ECJ found that detriment was not necessary to be shown.\(^\text{97}\) The facts of this case concerned the manufacturing and the sale of imitation perfumes whose smell names and packaging were similar to the original perfumes made by *L’Oreal*.\(^\text{98}\) The ECJ held that taking unfair advantage of the reputation of the *L’Oreal* perfumes amounted to an infringement of the

\(^{92}\) Ibid 292,  
\(^{93}\) Ibid.  
\(^{94}\) Ibid.  
\(^{95}\) Ibid  
\(^{96}\) Ibid.  
\(^{97}\) [2010] R.P.C. 1  
\(^{98}\) Ibid
TM even if there has been no detriment to the distinctive character of the mark.\textsuperscript{99} It was stated that taking advantage of the reputation of the mark was enough to prove infringement and there was no requirement to show detriment to the distinctive character of the mark.\textsuperscript{100} It was established therefore that when a third party seek to benefit from the reputation, the power and the attraction of a famous TM and exploit it without paying financial compensation this would amount to infringement.\textsuperscript{101}

**Comparative Advertising**

Comparative advertising, is the kind of advertisement by which a specific product, or service, is promoted with reference to its competitors and the alleged lack of quality in their products.\textsuperscript{102} Comparative advertising is said to promote competition by facilitating the entry of products into the market.\textsuperscript{103} According to section 10(6) of TMA comparative advertisement is permitted provided that no unfair advantage is taken without due cause and is no detrimental to the distinctive character or repute of the trade mark.\textsuperscript{104} As long as the use of the mark is honest, there is nothing wrong in informing the public of the qualities of competing companies and using TMs to identify these competing companies.\textsuperscript{105} Therefore in the cases where the comparative advertisement is misleading and the use of the TM in this context is dishonest will be seen as detrimental to or taking unfair advantage of the distinctive character or repute of the TM.\textsuperscript{106}

**Conclusion**

\textsuperscript{99} Ibid.
\textsuperscript{100} Ibid.
\textsuperscript{101} Ibid.
\textsuperscript{103} Alexandra Yelnik (n 11) 215.
\textsuperscript{104} TMA 1994, s 10(6)
\textsuperscript{105} Torremans (n 5)447.
\textsuperscript{106} Ibid.
Concluding, it appears that TM protection should not focus on the origin function as TMs no longer serve successfully to indicate the origin of the goods mainly due to the trend of mass production and out-sourcing manufacturing.

Besides it has been demonstrated that TMs serve other purposes as well, and they mainly operate as advertising tool which creates the reputation and the image that surround the TM. It seems that the reputation and the image of a TM are very important elements for the general goodwill of the product therefore TMs with reputation are considered to merit stronger protection. Such a high protection is also justified by the fact that famous TMs are generally more vulnerable in abuse by third parties and that’s why infringement should not be confined to cases where it has been shown confusion as to origin.

Reputation and goodwill of a TM are therefore protected through the concept of dilution which does not require any confusion in order to show infringement of the TM.\textsuperscript{107} The acknowledgement of the significance of the advertising function and the importance of TMs’ reputation lead to the need to apply a less stringent standard in order to offer to famous TMs the protection that they deserve. This was achieved by the dilution-association standard.

\textsuperscript{107} [2004] FSR 21
Bibliography

Primary Sources

Cases

- Case C-408/01 Adidas-Salomon v Fitnessworld Ltd [2004] FSR 21
- Case C-206/01, Arsenal Football Club v Reed [2002] ECR I-10273
- Case C-10/89, SA CNL-Sucal NV v Hag GF AG [1990] E.C.R. I-3711
- Claern [1975] NJ 472
- Davidoff v Gofkid [2003] 1 WLR 1734
- Intel Corp Inc v CPM United Kingdom Ltd [2009] Bus. L.R. 1079
- L’Oréal SA v Bellure NV [2010] R.P.C. 1

Legislation

- Trade Mark Act 1994

Secondary Sources

Articles

- Davis, J ‘The European Court of Justice considers trade mark dilution.’ (2009) CLJ 68(2) 290

Rosler, H ‘The rational for European Trade Mark protection’ (2007) 29(3) EIPR 100

Schechter,F ‘The rational basis for trade mark protection’ (1926-7) 40 Harvard LR 813

Simon, I ‘Embellishment:trade mark use triumph or decorative disaster’ (2006) 28(6) EIPR 32

Simon, I ‘Exploring the roots of European dilution’ (2012) 1 IPQ 25

Simon, I ‘The Functions of Trade Marks and their Role in Parallel Importation Cases -- What Can the EU and Japan Learn from Each Other’s Experiences?--’ (2007) IIP Bulletin 1


Yelnik, A, ‘Commercial value of trade marks: do current laws provide brands sufficient protection from infringement’ (2010) 32(5) EIPR 203

Books


