

The ECJ's puzzling concept of a “change in economic behaviour”

The ECJ has ruled that in order to cause detriment to a trademark, a later mark used for dissimilar goods or services must effect a change in the economic behaviour of the average consumer. For many, this ambiguous concept has caused consternation and concern

By **Jukka Palm**, Berggren Oy Ab

In its landmark *Intel* decision the European Court of Justice (ECJ) considered the kind of use of a later mark that may be regarded as detrimental to the distinctive character of an earlier mark. The matter was referred to the ECJ from the UK Court of Appeal.

In this case INTEL sought to invalidate a trademark registration for INTELMARK which designated different goods and services from those covered by INTEL's earlier registered rights.

The issue is important as the commercial value of a well-known mark can extend beyond its original market. Brand extension is a strategy through which a company marketing something with a strong image uses the same trademark in respect of a different product in order to enhance brand equity. This practice strengthens brand awareness and may increase profitability for goods in different product categories.

But what happens if an unauthorised third party attempts to exploit this brand equity and register an identical or similar mark in relation to goods or services that are dissimilar to those in respect of which the original mark is registered? Can the owner of a well-known trademark which is registered for different goods and services

prevent this from happening? The ECJ says yes – but only if several additional requirements are fulfilled.

The ruling has surprised many as the ECJ has stated that the fact that the later mark brings the earlier mark to mind is not in itself sufficient; there must also be evidence that the later mark causes a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark is registered.

Several commentators have expressed concerns about the level of proof needed to show whether a “change in economic behaviour” has occurred.

Background

Intel is the proprietor of numerous UK and Community trademarks for computers and related goods and services. It sought to invalidate a later trademark registration for INTELMARK covering marketing and telemarketing services in class 35, on the basis that INTELMARK brought INTEL to mind and would thus take unfair advantage of or be detrimental to the distinctive character and reputation of Intel's earlier trademarks.

According to the UK Trade Marks Act 1994, which implements the EU Trademark Directive, a later trademark registration may be declared invalid if the use of the later trademark, without due cause, takes unfair advantage of or is detrimental to the distinctive character or repute of the earlier trademark.

The UK Court of Appeal stated that INTEL was a unique and invented word that had not been used by anyone else, and that the “huge reputation” of the term already existed in 1997 when a corporation called CPM registered INTELMARK in class 35 for marketing and telemarketing services.

Lord Justice Jacob of the Court of

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Appeal acknowledged that INTEL MARK would bring Intel's mark to mind. However, he was not convinced that “bringing to mind” alone constituted the necessary “link” required by the ECJ. In his view, the following questions were unclear: “Is a mere ‘bringing to mind’ of an earlier mark with a reputation enough to prevent a later registration? And is it an infringement of a registered mark which has a reputation if a defendant uses, for dissimilar goods or services, a mark which merely ‘brings to mind’ the registered mark?”

With this issue in mind, Jacob LJ referred the case to the ECJ, asking whether the following facts are sufficient to establish a “link” within the meaning of the ECJ's earlier case law and the Trademark Directive:

- The earlier mark has a strong reputation.
- The relevant goods or services are dissimilar or dissimilar to a substantial degree to the goods or services of the later mark.
- The earlier mark is unique in respect of any goods or services.
- The earlier mark would be “brought to mind” by the average consumer when he or she encountered the later mark used for the services of the later mark

If these are not sufficient, he asked, then what are the relevant factors? Finally, he asked, what is required in order to satisfy the condition of detriment of distinctive character? Is a first conflicting use sufficient to establish detriment? And does the element of detriment require an effect on the economic behaviour of the consumer?

Interestingly, the Court of Appeal did not ask what is meant by the effect on the economic behaviour of consumers.

The link

The ECJ held that the later mark's ability to “call to mind” the earlier mark for the reasonably well-informed and circumspect average consumer is a paramount requirement. But this notwithstanding, it is merely a precondition. The existence of such a link should be assessed in light of several parameters:

- The degree of similarity between the conflicting marks.
- The nature and degree of similarity of the goods or services for which the conflicting marks are registered and the relevant sector of the public.
- The strength of the earlier mark's reputation and the degree of its inherent and acquired distinctive character.
- The existence of the likelihood of confusion on the part of the public.

However, the absence or existence of any one of these parameters is not automatically decisive as to whether a link exists. The ECJ appeared to reject Intel's argument that it was sufficient if it could be proved that INTEL MARK called the unique and well-reputed INTEL trademark to mind.

Proof of injury

The most remarkable part of the judgment deals with the concept of sufficient injury to the earlier mark. The ECJ made clear that the existence of a link does not relieve the proprietor of the earlier mark from the need to prove actual and present injury to its mark or a serious likelihood that such an injury will occur in the future.

Detriment to the distinctive character of the earlier trademark is defined as a weakening of the earlier mark's ability to identify the origin of the goods or services for which it is registered, when use of the later mark leads to dilution of the earlier mark.

Such detriment may occur only where there is proof that the use of the later trademark has caused a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark is registered, or a serious likelihood that such a change will occur in the future.

The more immediately and strongly that the earlier mark is brought to mind by the later trademark, the greater the likelihood that the current or future use of the later mark takes unfair advantage or is detrimental to the distinctive character or repute of the earlier trademark. It is irrelevant whether the user of the later mark has drawn commercial benefit from the earlier mark.

In other words, there must be evidence of an actual and present injury or demonstration of a serious likelihood of the same. However, first use of the identical or similar later mark may suffice.

What does this novel concept mean?

Several commentators have expressed concern about such an ambiguous test and have wondered how brand owners can prove the existence of the abovementioned injury. There is a fear that trademark owners are now vulnerable to “death by a thousand cuts”, as the market can be flooded with identical or similar trademarks covering different goods or services without any possibility to prohibit their use before actual injury has occurred.

However, this was hardly the ECJ’s intention. In the author’s view, the decision is intended to avoid speculation and to prevent misuse of the dilution law by limiting its application to cases where the earlier trademark’s ability to identify a single origin or distinguish goods or services is at stake – whether now or in the future.

As the ECJ did not define what is meant by a “change in the economic behaviour or serious likelihood that such a change will occur in the future”, this issue will likely be the subject of a future referral to the ECJ.

So what might the puzzling concept of “economic behaviour” mean in practice? It is obviously imprecise and ambiguous. Arguably, it also covers changes in consumer perceptions unrelated to confusion, provided that use of the later mark lessens the earlier trademark’s capability to identify the origin of the goods and/or services.

Economic consumer behaviour is obviously linked to confusion (as regards either origin or a connection in trade). In

other words, there is a change in the economic behaviour specifically where the public is confused as to trade origin or believes there to be some connection in trade between the earlier mark and the later mark. The wording used by the ECJ suggests that evidence of actual confusion is likely to be relevant. Mere speculation seems insufficient to satisfy the strict criteria set by the ECJ.

It has also been suggested that evidence of falling sales figures could prove that the allegedly infringing use has caused detriment. However, it would be virtually impossible to prove that the use of INTEL MARK for dissimilar goods or services would have caused a loss of sales for Intel’s non-competing products. And even if such losses existed, how could they be linked to the use of the later trademark? The losses could be argued to result from a variety of factors, including the economic downturn, interest rates and so on. And if the goods were identical or similar, would it not be obvious that the arrival of competition on the market would inevitably mean falling sales (whether or not the marks were similar)?

In addition to aspects of confusion, the concept of a change in economic behaviour seems to refer to a change in consumer perception in the form of a weakened ability of the earlier mark to identify the goods or services for which it is registered as originating from a single proprietor.

In addition to cases where an element of confusion exists, there are cases where the earlier mark’s distinctiveness is impaired in another way. Frank I Schechter’s groundbreaking theory defines dilution as “a gradual whittling away or dispersion of the identity and hold upon the public mind by its use in non-competing goods”. Marks that have been associated with a particular product in the public mind, rather than with a variety of products, deserve protection. If Kodak were used for bath tubes and cakes, and Mazda for cameras and shoes, such use would gradually lead to the dispersion of consumer perception (Frank I Schechter, 1927). Dispersion may thus occur even though the average consumer realises that the later mark originates from a source that is in no way linked to the proprietor of the “original” earlier trademark. In this situation, a mark with reputation is no longer linked to a single origin in the eyes of the consumer. For example, if the mark GILLETTE were allowed to be used for potatoes, such dispersion would likely occur. As the market has changed since the 1920s and consumers expect to see marks

with reputation used for many kind of goods (product families), it is difficult to draw the line between confusing and non-confusing (diluting) uses. The more compatible the goods, the more likely it is that use may confuse and vice versa.

In other words, the concept of a change in economic behaviour must also be defined to cover cases where distinctiveness is concentrated on specific goods or services, and where consumer perception of the earlier brand changes as a result of the use of the later trademark for non-competing goods or services. If the earlier mark is associated with a single product or with certain kinds of goods or services, use of the mark outside those goods may diminish the public perception of the mark's ability to identify a single origin. If, on the other hand, the mark has already been used for a variety of goods, it may already have been diluted. A change in economic behaviour or serious likelihood of the same is likely to be

proved by market surveys, expert testimony and arguments on the degree of uniqueness and distinctiveness of the earlier mark.

A plausible argument could concentrate on the fact that the mark has achieved a strong brand identity in respect of a particular class of goods or services, and that this identity will suffer as a result of the use of the later mark.

However, it seems likely that such protection is intended for a relatively limited number of cases where the earlier mark is intimately connected with a single source and its ability to identify one origin is under serious threat. The use of the later mark apparently should also be detrimental to the earlier mark's ability to identify a single origin. The mere fact that consumers may link the two marks seems to be insufficient. Even so, INTEL could be one of those marks that are entitled to protection. **iam**



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