

TRADEMARKS. Dilution: Concept. Evolution of Argentine case law. SUTTER case (2005).

I. Concept.

The essential function of trademarks is to identify goods and services in the market, coming from different sources, and to avoid confusion in the consumers about the origin of the goods and services identified with them.

Most trademark conflicts are solved by comparing the marks involved under the traditional doctrine of the likelihood of confusion, which is applied in the context of identical or similar trademarks used on competitive goods and services.

The essential guideline and limit is that whatever identifies as to source is entitled to protection against a likelihood of confusion, but only to the extent it identifies and only to the extent to which confusion is likely to occur.

The doctrine of dilution was developed principally in the United States. In 1927, Frank I. Schechter gave the first definition of the concept indicating that the most important grounds for trademark protection consist in proscribing the *“gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods”*.

Although Schechter never referred to his theory as one protecting against “dilution”, he established the basis for providing “preservation of the uniqueness of a trademark”, as the essential trademark right.

In 1977, the New York Court of Appeals changed the course of the interpretation of the law of dilution in a 4-to-3 divided decision wherein the majority included the concept of dilution by way of dicta. The following is the definition endorsed by the *Allied* Court:

“The whittling away of an established trademark’s selling power and value through its unauthorized use by others upon dissimilar products...”

The following are some post-*Allied* definitions of the concept:

“(dilution)...occurs when the use of a name or mark by a subsequent user will lessen the uniqueness of the prior user’s name or mark.”

“The essence of dilution is the watering down of the potency of a mark and the gradual debilitation of its selling power.”

“Dilution” in this context refers to a loss of distinctiveness, a weakening of a mark’s propensity to bring to mind a particular product, service or source of either. Likelihood of confusion is therefore unnecessary to a finding of dilution”.

“Neither competition between the parties nor confusion about the source of products...appears to be necessary to state a cause of action for dilution”.

The doctrine of dilution constitutes an exceptional remedy to protect a special category of trademarks, which have acquired strong distinctiveness and transcend its original function of identifying goods and services.

This kind of trademarks generate a special relation with the consumers and have acquired an important selling power through their continuous use in the market, the quality of the goods identified with them, advertisements, promotions, etc.

Dilution basically protects this strong selling power which is reserved to a few trademarks (i.e. SONY, NIKE, KODAK) and takes place when the use of a trademark by others generates awareness that the mark no longer signifies anything unique, singular or particular, but instead may denominate several varied items from varied sources, which may cause a mark to become less distinctive.

In the United States, the Federal Trademark Dilution Act, added in 1995 to the Lanham Act, defines dilution as “...*the lessening of the capacity of a **famous mark to identify and distinguish goods or services regardless of the presence or absence of (i) competition between the owner of the famous mark and other parties, or (ii) likelihood of confusion, mistake, or deception.***”

An important question is to determine whether the diluted mark must be notorious in general or only within its own market, in order to be entitled to protection against dilution. The Court analyzed this when deciding the case Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A. Inc.

Mead Data lodged a dilution action against Toyota to protect their trademark LEXIS, which was used since 1972 to designate a computerized legal research service, against the use by the defendant of the mark LEXUS on a new line of luxurious automobiles. The Court refused the action for dilution considering that the plaintiff's mark LEXIS was well known or famous only to a limited segment of the public, namely the users of the plaintiff's services –lawyers and accountants-.

I agree with this Court decision in that, being the dilution an exceptional remedy to protect the relationship trademark-product, only the marks which have acquired notoriety for the vast majority of the consumers must be protected against dilution in order to preserve their uniqueness.

In the case under analysis, Mead Data could not prove that their LEXIS trademark was well known outside the circle of users of their products, which lead the Court to conclude that that it could peacefully coexist in the market with Toyota's LEXUS without any risk of causing confusion in the consumers about the origin of the goods identified by them.

The contrary would imply abandoning the International Classification of goods and services and accepting that the registration of any mark in one class would

be enough to challenge its use and eventual new applications by third parties to protect any other goods or services.

Dilution of a trademark must be caused by “blurring” or “tarnishment”. Blurring involves an injury to the mark’s selling power (expressed as its capacity to identify and distinguish goods or services), and occurs when there is a possibility that the plaintiff’s mark will lose its ability to serve as a unique identifier of plaintiff’s products, due to the defendant’s use of the mark.

Tarnishment generally arises when the plaintiff’s trademark is linked to products of bad quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner’s product.

In such situations, the trademark’s reputation and commercial value might be diminished because the consumers would associate the lack of quality or lack of prestige in the defendant’s goods with the plaintiff’s unrelated goods, or because the defendant’s use reduces the older trademark’s reputation.

From all these concepts, we can infer that the premises for a dilution case are the fame or notoriety of the plaintiff’s mark and also that the defendant must perform a commercial use of the mark protected or of a similar mark. Of course, the use of the mark by the defendant must start after the plaintiff’s mark became famous and must cause its dilution and be upon non-competitive goods or services.

II. Evolution of Argentine Case Law.

a) 1940-1990.

During this period, although the term “dilution” was not expressly mentioned, several Court decisions were based on the arguments supporting this doctrine (for example, notoriety of the plaintiff’s trademark and loss of its uniqueness by the defendant’s use upon non competing goods).

The following are some examples of judicial cases resolved under the doctrine of dilution, even without mentioning the term or referring to this theory:

- In 1940, the Court rejected an application to register the trademark “GENIOL” to protect iron due to the opposition filed by the owner of the same mark in Int. class 5 which is the mark of a well-known aspirin.
- In 1946, an application to register the trademark “LUCKY STRIKE” to protect perfumery was rejected on the basis of the opponent’s same trademark covering cigarettes.
- Moreover, in 1987, the Supreme Court of Justice declared the nullity of the trademark “CHRISTIAN DIOR”, which had been registered to cover glass panels, in light of the notoriety of the mark “CHRISTIAN DIOR” for perfumery, based on article 24 b) of our trademark law and on article 953 of the Civil Code.

In these cases, the Supreme Court of Justice admitted the oppositions lodged by the owners of the trademarks "GENIOL" and "LUCKY STRIKE" and declare the nullity of the cited mark "CHRISTIAN DIOR" on the basis of the right of the owners of said trademarks to avoid the coexistence of identical trademarks to protect different goods, due to the risk of confusion on the source, caused precisely by the notoriety of the trademarks previously registered.

The doctrine of dilution was present in all these cases, despite the different Court decisions not even mentioning the term.

b) 1990-2001.

At this stage, Argentine Courts mentioned the dilution concept as complementary to the concept of confusion in the context of decisions on typical cases of confusion and/or trademark infringement. In these cases, judges included the definition of dilution in their decisions on the likelihood of confusion between two trademarks.

The term "dilution" was used in its general meaning: *"the act of diluting"* or *"something (trademark) diluted"*.

The most important case of this kind dates from 1990: Chevron U.S.A. Inc. v. La Farmaco Argentina Industrial y Comercial S.A., involving the trademark "VERITAS" which was considered notorious by the Federal Civil and Commercial Court of Appeals.

The Court expressly recognized the renown of the defendant's trademark "VERITAS", registered in Int. classes 3, 5, 35, 39, 40 and 42, and rejected Chevron's application for the same mark in Int. class 4 to cover lubricants, stating that "being the mark VERITAS a notorious one, it deserves a special protection in order to avoid its use by the plaintiff on different products, even when the pertinent opposed application was filed in good faith".

Moreover, the Court emphasized that this higher level of protection is reserved only to trademarks having big diffusion and a constant use by its owner, even if the use and/or the application by a third party has been in good faith.

In 1992, the Court decided an opposition filed by the firm Sporloisir S.A. against an application in the name of Mr. Carlos Alfredo Marante to register the mark "LAGARTO'S" & Crocodile Device. The opposition filed by Sporloisir was based on the well-known Lacoste's crocodile logo.

In this case, the Court interpreted the doctrine of dilution in a broadest sense, as both trademarks in conflict were used on similar goods fallen in Int. class 25.

The Court decision expressed that "...even in this case, the risk of association of related goods exists because, if the coexistence of both trademarks were allowed, the publicity effect of the Lacoste's logo would be diminished, introducing a factor of unfair competition which would harm the consumers' rights and would weaken the distinctive power of the registered trademark".

Although this was a case where the likelihood of confusion was analyzed, it is important to point out the concept of damage on the publicity effect, which is characteristic of the doctrine of dilution by tarnishment.

c) 2002-2005.

Since 2002, Argentine Courts started to specifically analyze the doctrine of dilution considering local and International legislation on notorious trademarks.

The most important Court decision was issued in 2002 in the case *Stanton & Cia. v Companhia Cervejaria Brahma*:

Stanton & Cia., a Colombian company applied for the registration of the mark BRAHMA, which had been registered by them in seven countries to cover shoes, fallen in Int. class 25. The National Institute of Industrial Property, considering the previous trademark BRAHMA as a notorious one in our country in the field of beers, rejected the Colombian company's pertinent application on the grounds of Article 6bis of the Paris Convention and Article 16.3 of the GATT-Trips Agreement both given especial protection to the renowned and notorious trademarks.

The Civil and Commercial Court of Appeals confirmed the rejection stating that: "When adopting the notorious mark owned by the Brazilian manufacturer of beer, currently acting in our country, the Colombian group's attitude indicates connection between their goods (BRAHMA shoes) and the Brazilian company's good (BRAHMA beer) because the latter is recognized by most of the people in our country. This connection would be in the plaintiff's favor and would lessen the rights of the owner of the registered trademark, by means of its dilution."

"The damage is caused by the blurring and loss of exclusivity of the mark if coexistence with a group of similar trademarks were allowed, as the relation trademark-product would be broken."

The Court cited the doctrine of the Chevron case and mentioned that the older mark's selling power would be damaged if coexistence of identical trademarks to cover different goods were allowed.

III. SUTTER CASE (2005)

Last year, in *Sutter Finanziaria SpA v Suter SA*, the Federal Civil and Commercial Court of Appeals confirmed the first instance decision of rejecting several applications to register trademarks under the name "SUTTER", on the basis that accepting them would imply the dilution of the well-known trademark SUTER, owned by the defendant.

Background:

The plaintiff had filed applications in Int. class 3 to register the marks “SUTTER CLEAN”, “SUTTER DEO”, “SUTTER FLOOR” and “SUTTER HAND” to protect cleansing products for professional use.

SUTER SA, a local company engaged in the business of trading wines for more than a century, filed oppositions against all the applications, on the basis of their trademark SUTER in Int. class 33 for wines, as well as a defensive registration in class 3.

The case was brought to the Court and the first instance decision refused registration of all the opposed trademarks on the basis of the notoriety of Suter’s SUTER registration remarking also that the marks SUTER and SUTTER were confusingly similar.

The plaintiff appealed the decision on the grounds that their SUTTER mark is well known in several European countries for professional cleansing products and also mentioned that their products have been marketed in Argentine since 1996 without any complaint by Suter.

The following are the most important grounds used by the Federal Civil and Commercial Court of Appeals to affirm the lower court’s decision:

“The principle of specialty yields when a notorious mark is involved, even in cases where the goods are not related, in order to avoid the illegitimate benefit from someone else’s prestige, to prevent the likelihood of eventual confusion on the origin of the goods, and to protect these valuable trademarks of the decline of their distinctiveness through blurring or dilution and of the breaking of the association of a given trademark to a product.”

“...protecting the value of a trademark of goods or services which, due to the big effort, expenses, quality and prestigious, reached a level of notoriety which means a special distinctive power and, at the same time, a direct relationship between trademark and good (i.e. GILLETTE – RAZORBLADE).”

“...the weakening or blurring is one of the most important damages which a notorious mark may experiment, as it affects its distinctive power and the relation trademark-good...”.

“...the opponent’s trademark SUTER has the characteristic of a notorious mark and so, it deserves an effective protection, according to this special level, qualified by its high distinctiveness and prestigious reached, generally through years of effort and considerable expenses to disseminate the good and the trademark...”

“...the irruption of eight trademarks reproducing the notorious trademark SUTER in a practically identical way, although to cover goods dissimilar to the ones included in class 33, would have the effect of eroding its distinctiveness and breaking the current existent relation between the designation and the good (SUTER = WINE).”

IV. Conclusion

The doctrine of dilution is an exceptional remedy to protect famous or notorious trademarks, which have reached a higher level of distinctiveness, against the use by third parties of identical or similar trademarks upon non competitive goods, considering that the illegitimate use would imply the watering down of the potency of the mark, the gradual debilitation of its selling power and the rupture of the relation trademark-product in the consumer's mind.

It is important to remark the character of exceptional of this doctrine, only reserved to notorious and unique trademarks, as its generalization would imply the abandonment of the International classification of goods and services.

Although Argentine Trademark Law does not contain express regulations on dilution, it is possible to find arguments to protect trademarks against dilution from article 4 and, principally, article 24 paragraph b), which we transcribe here below:

Article 24: Trademarks are null and void when are registered:

b) By a party who, on applying for registration, was aware, or should have been aware, that the trademark belonged to another;

Moreover, we found important basis to protect trademarks against dilution in our local legislation on damages (art. 953 and 1109 of our Civil Code) and in the provisions for protection of notorious trademarks contained in the International agreements adopted by our country (art. 6bis of the Paris Convention and art. 16.3 of the GATT-Trips Agreement).

The problem of dilution is that it is easy to define but it is difficult to prove, as the fact to be determined is that the third party's use of the trademark gradually diminishes the distinctiveness of the protected trademark in the consumer's mind.

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