

# Legal Alert

## L'Oréal / Bellure: finally good news for trademarks with a reputation!

- infringement under art. 5(2) of the Trademarks Directive is possible without detriment to the trademark or the trademark holder
- art. 5(2) of the Trademarks Directive also applies without a risk of confusion
- taking unfair advantage is defined very broadly
- detriment is defined very broadly
- use of trademarks in comparison lists used to advertise goods is considered infringing
- The ECJ recognises more functions of the trademark next to the origin guarantee (quality guarantee, communication function, investment protection and advertising function).

In its decision of today (June 18) the European Court of Justice gave guidance on many issues regarding trademark law, providing a synthesis of several earlier decisions. The decision stresses the further reaching protection under art. 5(2) of the Trademarks Directive, protecting trademarks which have a reputation against use that takes unfair advantage of or is detrimental to the

distinctive character or the repute of the trademark.

### Functions of a trademark

In this case the defendants sold so-called smell-alike perfumes, while using a comparison list for retailers, indicating which smell-alike product corresponds with which luxury brand. This use of the trademarks is considered to be use in the sense of art. 5(1)(a) of the Trademarks Directive (use of an identical sign for identical goods) and also qualifies as comparative advertising. In principle the trademark holder can oppose such use. The only (additional) requirement is that there is detriment to any of the functions of the trademark. That does not only relate to the essential function of guaranteeing the origin of the goods (which is relevant under art. 5(1)(b) of the Trademarks Directive), but also all other functions of the trademark. Without being exhaustive the ECJ identifies the “guarantee function”, the “communication function”, the “advertising function” and the function of protecting the investment covered by a trademark.

### Comparative advertising

The European Court of Justice again stresses the relationship between the Trademarks Directive and the Directive on Comparative and Misleading Advertising. Any comparative advertising which would not meet the requirements of the latter

directive, while using the trademark, would constitute a trademark infringement, for instance if the goods in question are presented as an imitation or replica, as was the case in this matter. It is noteworthy that the ECJ stresses the fact that this limitation not only applies to counterfeit goods, but also goods which are clearly distinct from the original goods, but which are presented as a copy of such goods.

The decision is also prone to becoming a leading case because of other considerations of the ECJ.

### **Detriment and unfair advantage**

First of all the ECJ stresses the fact that actual detriment or actual unfair advantage need not be shown, but that it suffices that the use would take unfair advantage of, or would be detrimental to the distinctive character or the repute of the earlier mark.

After having defined detriment to the distinctive character in the Intel-decision (see our previous Newsletter), the ECJ now also defines detriment to the repute of the trademark as well as taking unfair advantage of the distinctive character or the repute of the trademark.

With respect to detriment to the repute of the mark the ECJ mentions “tarnishment” and “degradation” as alternative terms. It indicates that such detriment is caused when the goods or services for which the identical or similar sign is used by the third party, may be perceived by the public in such a way that the trademarks’ power of attraction is reduced. The likelihood of such detriment may arise in particular from the fact that the goods or services offered by the third party possess a characteristic or a quality which is liable to have a negative impact on the image of the mark. This appears to be a very broad definition.

Also “taking unfair advantage of the distinctive character or the repute of the trademark” is defined broadly. The ECJ gives as alternative terms “parasitism” and “free-riding”. This concept, according to the ECJ, relates not to the detriment caused to the mark but to the advantage taken by the third party as a result of the use of the identical or similar sign. It covers, in particular, cases where, by reason of a transfer of the image of the mark or of the characteristics which it projects to the goods identified by the identical or similar sign, there is clear exploitation on the coattails of the

mark with a reputation. The Court should apply a global assessment, which could also include an assessment of the likelihood of dilution or tarnishment of the mark. In addition the ECJ specifies that, where a third party attempts, through the use of a similar sign 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 his own in that regard, the marketing effort expended 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. Again, this criterion seems to have a broad application (for instance very often also covering private label products).

There is much more to be said about this groundbreaking decision. Obviously we will be more than happy to discuss the consequences of this decision for your business or your clients.

## Contact

De Brauw's IP practice group is the largest in the Netherlands, and covers both national and international IP and ICT practice in its broadest sense. For further information please contact:

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