

REFORMING ANTI-DILUTION PROTECTION IN THE GLOBALIZATION OF LUXURY BRANDS

HAOCHEN SUN*

ABSTRACT

The luxury industry plays an important role in many contemporary western and eastern societies. This Article discusses the rapid global expansion of the luxury industry and the role of anti-dilution laws in protecting luxury brands. It reveals that luxury companies face two major challenges in securing adequate anti-dilution protection while they market their products or services globally. At the international level, the major intellectual property treaties afford no minimum standards for anti-dilution protection of well-known trademarks. At the domestic level, divergences in anti-dilution protection in the world's three main luxury markets, the European Union, the United States, and China, have rendered it more difficult for luxury companies to prevent and stop the potential dilutions of their brands. Based on the analysis of these two challenges, the Article offers thoughts about how policymakers should improve anti-dilution protection for luxury brands while meeting their duties to adequately protect the public interest.

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* Assistant Professor of Law and Deputy Director of Law & Technology Center, University of Hong Kong. I am grateful to Daniel Gervais for his very helpful comments on an earlier draft. I also benefited a lot from the conversations with Irene Caboli, Rochelle Dreyfuss, Susan Scafidi, and Peter Yu. Any errors or oversights are mine alone. © 2014, Haochen Sun.

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I. INTRODUCTION

Just across the street from its store on Rue de Sèvres in Paris, Hermès is gutting a second space, to open in September Nearly all the stock will be produced in China. This isn't another branch of Hermès: It's the first international site for the luxury company's subsidiary Shang Xia.¹

[D]ilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark.²

A new tale of two cities occurred across the Atlantic in 2008. In June 2008, the Paris Commercial Court held eBay secondarily liable for offering online venues to sell counterfeit Louis Vuitton products. In particular, the Court ruled that eBay had harmed the reputation of Louis Vuitton's trademarks.³ On the other side of the Atlantic, eBay was sued in the United States by another luxury company, Tiffany, on the same grounds for facilitating the sale of counterfeit Tiffany products on the eBay website. In this case, the Southern District Court of New York

1. Mark Ellwood, *The New Cachet of "Made In China"*, WALL ST. J. (May 24, 2013), online.wsj.com/article/SB10001424127887324787004578497071619280906.html.

2. RUDOLF CALLMANN, *THE LAW OF UNFAIR COMPETITION AND TRADE-MARKS* 1643 (2d ed. 1950).

3. SA Louis Vuitton Malletier v. eBay, Inc., [2010] Tribunal de grande instance [TGI] [ordinary court of original jurisdiction] Paris, June 30, 2008, 10 E.T.M.R. 10. 2010, 177.

ruled in favor of eBay, holding that eBay did not harm the reputation of the Tiffany trademark.⁴

Why did the two judicial decisions regarding trademark dilution turn out to be at odds with each other? After all, the facts of the two cases were very similar. Both involved luxury companies and an Internet company (eBay) that provided venues for the sale of counterfeit luxury products.

This Article aims to explore the larger policy reason that has led to the rift between these judicial opinions. It reveals that the rift is actually the tip of the iceberg in the global anti-dilution protection of luxury brands. As a form of trademark protection, the anti-dilution right entitles the owner of a well-known trademark to prevent and stop acts that would blur the distinctiveness and tarnish the reputation of the trademark.⁵ Anti-dilution protection is afforded even in the absence of consumer confusion regarding sources of goods or services. Hence, the rise of the anti-dilution right has advanced trademark protection from preventing consumer confusion to granting a strong property right⁶ to protect the “uniqueness” of a well-known mark.⁷

This Article will reveal that luxury companies face two major challenges in securing adequate anti-dilution protection. At the international level, the major intellectual property treaties afford no minimum standards for anti-dilution protection of well-known trademarks.⁸ At the domestic level, divergences in anti-dilution protections in the world’s three main luxury markets, Europe, the United States, and China, have rendered it more difficult for luxury companies to prevent and stop the potential dilutions of their brands.⁹

The major issues discussed in this Article have far-reaching implications for both the domestic and global economies. Global sales of personal luxury goods reached approximately €191 billion in 2011.¹⁰ The luxury industry is even larger if luxury services (such as luxury hotel and resort services) are included. Luxury goods and services are also intertwined with fashion, because many luxury companies have

4. *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 111-12 (2d Cir. 2010).

5. 15 U.S.C. § 1125(c) (2012).

6. See Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1709-10 (1999).

7. See Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927).

8. See *infra* Part II.

9. See *infra* Part III.

10. Bain & Company, *Luxury Goods Worldwide Market Study 3* (2011), <http://www.slideshare.net/Ikusmer/luxury-goods-worldwide-market-study/>.

been major fashion trend-setters. It was estimated that the 2012 revenue of the fashion industry hit \$482.8 billion,¹¹ a record that eclipses the publishing and entertainment industries.¹²

This Article will reveal that anti-dilution protection plays an important role in preserving and enhancing the exclusivity and quality reputation of luxury brands.¹³ Therefore, a comprehensive and thorough discussion of the global anti-dilution protection system has profound implications for the luxury industry in the context of the increased global marketing of luxury goods.¹⁴ This Article will suggest how policymakers should improve anti-dilution protection for luxury brands while meeting their duties to adequately protect the public interest.

Part II discusses the rapid global expansion of the luxury industry and the role of anti-dilution laws in protecting the luxury industry. Parts III reveals that international trademark treaties do not afford clear-cut minimum standards for preventing and stopping dilutive uses of well-known trademarks, many of which are luxury brands. Part IV further argues that variations in domestic anti-dilution laws have caused grave business risks for companies in merchandizing luxury goods or services in China, the E.U. and the United States, the three major luxury markets. Based on these discussions, the Article argues that it is high time to consider how anti-dilution protection should be developed globally. It will consider the major issues pertaining to how the global anti-dilution system should be reformed.

II. ANTI-DILUTION PROTECTION AS THE LIFEBLOOD OF LUXURY BRANDS

During the past two decades, the luxury industry rapidly developed and expanded its presence in many major cities around the world. With such rapid development, the luxury industry has played an important role in many contemporary western and eastern societies. This Part will first examine the rapid growth of the luxury industry in the global economy. It will then consider the role of anti-dilution protection in

11. See Nikoleta Panteva, *Trends Outfitting the Fashion Retail Sector*, IBISWORLD MEDIA CENTER (June 1, 2012), http://www.ibisworld.com/Common/MediaCenter/Fashion_media/2012/06/01/trends-outfitting-the-fashion-retail-special-report.pdf-sector-2/.

12. See C. Scott Hemphill & Jeannie Suk, *The Law, Culture, and Economics of Fashion*, 61 STAN. L. REV. 1147, 1148 (2009) (“Fashion is one of the world’s most important creative industries. It is the major output of a global business with annual U.S. sales of more than \$200 billion—larger than those of books, movies, and music combined.”).

13. See *infra* Part I.B.

14. See *infra* Part I.A.

protecting the value of luxury brands, the assets that are of pivotal importance for any luxury companies.

A. *The Rise of the Luxury Industry in the Global Economy*

Europe, the United States, and China are the three major luxury markets in the world. Europe is the global hub for designing, producing, and merchandizing luxury goods. Most luxury brands have originated from Europe. The major luxury conglomerates, such as Kering, Louis Vuitton Moët Hennessy (LVMH), and Compagnie Financière Richemont SA (Richemont), are headquartered in Europe. The continent also has three of the four fashion capitals (London, Milan, New York, and Paris). Research shows that Europe accounted for thirty-seven and thirty-five percent of global luxury goods sales in 2011 and 2012, respectively.¹⁵ Despite the economic slowdown in Europe, tourists account for a big portion of luxury sales and have helped its luxury market grow steadily.¹⁶ Gucci reportedly sells more than fifty percent of its products to tourists in Europe,¹⁷ and Burberry confirms that Chinese tourists alone account for around thirty percent of its total London sales.¹⁸

The U.S. market has also been vibrant, with huge demand for luxury goods and rapid growth of American luxury brands. The French luxury shoe-maker Christian Louboutin sold fifty-two percent of its shoes in the United States, while it only sold thirty percent in Europe, the Middle East, and Russia combined.¹⁹ Though the U.S. market was hit hard during the 2008 financial crisis and has continued to stagnate, it remains one of the important luxury markets in the world. With economic improvements, the sale of luxury goods has been steadily recovering in the United States.²⁰ In 2011, it was estimated

15. Bain & Company, *Worldwide Luxury Markets Monitor: Spring 2013 Update 4* (May 16, 2013), www.fccihk.com/files/dpt_image/5_committees/library/Library_Luxury/2013_Bain_Luxury_Study_Spring_Update.pdf.

16. Adam Greaves, *How China's Anticorruption Drive is Hitting Sales of European Luxury Brands*, MCGUIREWOODS LONDON LLP BRIBERY LIBRARY BLOG (June 10, 2013), www.briberylibrary.com/gifts-hospitality/how-chinas-anticorruption-drive-is-hitting-sales-of-european-luxury-brands/.

17. Kathy Gordon, *Chinese Tourists Boost Europe Luxury Sales*, WALL ST. J. (Dec. 2, 2010), online.wsj.com/article/SB10001424052748704594804575648482598418828.html.

18. *Id.*

19. Miles Socha, *Getting a Handle on Louboutin*, WOMEN'S WEAR DAILY (Feb. 4, 2008), www.wwd.com/accessories-news/handbags/getting-a-handle-on-louboutin-467853.

20. Stephanie Clifford, *Even Marked Up, Luxury Goods Fly Off Shelves*, N.Y. TIMES (Aug. 3, 2011), www.nytimes.com/2011/08/04/business/sales-of-luxury-goods-are-recovering-strongly.html?_r=0.

that many major luxury brands received ten to twenty percent sales growth.²¹

China has become the world's largest luxury market based on country-specific calculation.²² Wealthy Chinese consumers have been very eager to shop for luxury goods and services in order to upgrade their lifestyles. In 2012, estimates showed that China accounted for twenty-five percent of global luxury spending, five percent higher than the United States.²³ Research also showed that Chinese consumers made half of all luxury purchases in Asia and nearly one-third of those in Europe.²⁴ Responding to exploding demand, luxury companies have opened up stores in major Chinese cities and have highlighted the role of the Chinese market in their long-term development strategies.²⁵ By setting prices higher in China than in Europe and the United States, luxury companies are said to earn more profits there.²⁶ Meanwhile, fueled by talented Chinese fashion designers and a combination of Eastern and Western design inspirations, China's domestic luxury brands have been growing rapidly and nurturing their domestic and international fame.²⁷

B. *Luxury Brands and Anti-Dilution Protection*

The luxury industry has long hailed intellectual property protection as a key to the industry's success. Representatives from the industry

21. *See id.*

22. The World Luxury Association predicted that China would replace Japan as the world's largest luxury market by 2012 because of China's growing demand and declining consumption in Japan. *See Xinhua, China to Pass Japan as Top Luxury Market in 2012*, CHINA DAILY (June 10, 2011), http://www.chinadaily.com.cn/bizchina/2011-06/10/content_12670694.htm; see also Press Release, Bain & Company, Chinese Shoppers World's Top Luxury Goods Spenders, While China Luxury Market Cools to Seven Percent Growth in 2012 (Dec. 12, 2012), www.bain.com/about/press/press-releases/bains-china-luxury-market-study-2012.aspx.

23. Press Release, Bain & Company, *supra* note 22.

24. *Id.*

25. Yuval Atsmon et al., *Tapping China's Luxury-Goods Market* (April 2011), www.mckinsey.com/insights/marketing_sales/tapping_chinas_luxury-goods_market ("With the surge in the number of luxury stores, fashion magazines, and Web sites and the use of social media, Chinese consumers are now familiar with nearly twice as many brands as they were in 2008.").

26. The dirty little secret among luxury-goods companies is that they have been persistently overcharging their best customers in China. *See Luxury Goods Firms' Little China Secret*, WALL ST. J. (Apr. 25, 2013), online.wsj.com/article/SB10001424127887324474004578444090260265834.html.

27. UCHE OKONKWO, LUXURY FASHION BRANDING: TRENDS, TACTICS, TECHNIQUES 74 (2008) ("China has a host of upcoming designers that will likely to play influential roles in the world of fashion."); Laurie Burkitt, *As Luxury Tastes Evolve, Hermès Banks on China*, WALL ST. J. (Oct. 8, 2012), <http://at.blogs.wsj.com/scene/2012/10/08/as-luxury-tastes-evolve-hermes-banks-on-china/>.

consistently argue that adequate protection of intellectual property ensures that luxury companies can recoup their investments in the creation and dissemination of their copyrighted works, trademarked logos, or patented designs.²⁸ They point out that without intellectual property protection, a flood of counterfeits in the market would destroy the brand distinction and value of luxury goods.²⁹

Louis Vuitton, for example, started in 1858 as a simple retailer of travel luggage. Today, the Vuitton brand is worth approximately \$25 billion.³⁰ Louis Vuitton achieved its legendary growth through innovative efforts in designing and merchandizing products. But Louis Vuitton has also asserted that such marvelous achievements could only have been made due to adequate intellectual property protection. Otherwise its brands and designs could be freely copied by competitors, which would significantly diminish or even destroy the economic value and social distinction of Louis Vuitton products. Given the vital importance of intellectual property protection for its business, Louis Vuitton has become the most aggressive enforcer of intellectual property rights among all the luxury brands.³¹

28. The recent Luxury Law Summit had leading practitioners talk about the importance of IP protection in protecting luxury brands. See *Luxury Law Summit: IP Lawyers Flock to Luxury Brand Discussion*, WORLD IP REV. (May 23, 2013), <http://www.worldipreview.com/news/luxury-law-summit-ip-lawyers-flock-to-luxury-brand-discussion>. The 2012 conference on IP protection of luxury goods hosted in Hong Kong featured talks by leading practitioners. Many of them emphasized the importance of IP in protecting the interests of luxury companies. See Program of the Conference on Charting the New Frontiers of Intellectual Property Protection of Luxury Goods (June 15-16, 2012), http://www.law.hku.hk/luxurygoods/?page_id=6.

29. See, e.g., OECD, THE ECONOMIC IMPACT OF COUNTERFEITING AND PIRACY 18 (2007), available at <http://www.oecd.org/industry/ind/38707619.pdf> (“The proliferation of counterfeit versions of luxury goods can make the genuine articles less desirable to their traditional consumers.”).

30. INTERBRAND, *The Top 100 Brands*, <http://www.interbrand.com/en/best-global-brands/2013/Best-Global-Brands-2013-Brand-View.aspx> (last visited Jan. 22, 2014).

31. For example, a court file shows that “Louis Vuitton has set forth evidence that in 2009, it “initiated” 9,489 anti-counterfeiting raids and 26,843 anti-counterfeiting procedures. In 2010, it sent 499 cease-and-desist letters in response to Customs Seizure Notices, after sending 217 such letters in 2009.” *Louis Vuitton Malletier, S.A. v. Hyundai Motor America*, 2012 WL 1022247, at *8 (S.D.N.Y. Mar. 22, 2012). For other notable legal actions launched by Louis Vuitton, see *Louis Vuitton Malletier S.A. v. LY USA, Inc.*, 676 F.3d 83 (2d Cir. 2012); *Louis Vuitton Malletier S.A. v. Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007); *Louis Vuitton Malletier S.A. v. Dooney & Bourke, Inc.*, 454 F.3d 108 (2d Cir. 2006); *Louis Vuitton Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 523 (2d Cir. 2005); *Louis Vuitton S.A. v. Lee*, 875 F.2d 584 (7th Cir. 1989); *Louis Vuitton Malletier S.A. v. Warner Bros. Entm’t Inc.*, 868 F. Supp. 2d 172 (S.D.N.Y. 2012); *Louis Vuitton Malletier v. Artex Creative Int’l Corp.*, 687 F. Supp. 2d 347 (S.D.N.Y. 2010); *Louis Vuitton Malletier S.A. v. Carducci Leather Fashions, Inc.*, 648 F. Supp. 2d 501 (S.D.N.Y. 2009);

Among all forms of intellectual property protection, anti-dilution protection is crucial for luxury companies to maintain the value of their brands, many of which may be recognized as well-known trademarks in the marketplace. This section will show that anti-dilution protection functions to protect the exclusivity and quality reputation of a luxury brand.

1. Protecting Exclusivity

Anti-dilution protection plays an important role in preserving the exclusivity of brands, which is crucial for luxury companies.³² The key function of luxury products is their ability to display social distinction that is recognized by their customers.³³ Two types of social distinction goals underlie consumer attitudes toward luxury brands: consumption of luxury goods to gain social status serves a self-presentation function, and consumption of luxury goods to reflect personality serves a self-expression function.³⁴ Luxury companies cater to the combination of these two needs by maintaining the exclusivity of their products and services. Commentators have pointed out that luxury companies, like magicians, seek to “perform an illusion where actual scarcity is replaced by a perceived rarity.”³⁵ For a brand to function as a distinctive sign of luxury, it “must be desired by all but consumed only by the happy few.”³⁶ Luxury companies have striven to appeal to the general public, meanwhile making their products or services available only to the few who can afford them. For exclusivity purposes, they have adopted production and price policies that use high-quality designs and materials to keep product prices very high. For similar reasons, they have also limited production and innovated means of delivering

Louis Vuitton S.A. v. Downtown Luggage Ctr., 706 F. Supp. 839 (S.D. Fla. 1988); Louis Vuitton S.A. v. Spencer Handbags Corp., 597 F. Supp. 1186 (E.D.N.Y. 1984); Louis Vuitton Malletier v. City Chain Stores (S) Pte Ltd and Another Matter [2009] 2 SLR 684 (High Ct. 2009) (Singapore); Louis Vuitton Malletier S.A. v. eBay, Inc., Tribunal de commerce [TCP] [court of trade] Paris, June 30, 2008, no. 2006077799 (Fr.).

32. Haochen Sun, *Can Louis Vuitton Dance with Hiphop? Rethinking the Idea of Social Justice in Intellectual Property Law*, 15 U. PA. J.L. & SOC. CHANGE 404-05 (2012) .

33. *Id.* at 404.

34. Keith Wilcox, Hyeong Min Kim & Sankar Sen, *Why Do Consumers Buy Counterfeit Luxury Brands?*, J. OF MKTG. RES. 46, no. 2: 247-59 (Apr 1, 2009), available at <http://www.docshut.com/ixzsw/why-do-consumers-buy-counterfeit-luxury-brands.html>.

35. Bernard Catry, *The Great Pretenders: The Magic of Luxury Goods*, 14 BUS. STRATEGY REV. 10, 11 (2003).

36. Jean-Noel Kapferer, *Managing Luxury Brands*, 4 J. BRAND MGMT. 251-60 (1997).

highly distinctive products and services.³⁷ Moreover, luxury companies have adopted distribution policies to either sell products only in their own company stores or to authorize selected dealers to sell on their behalf with strict licensing terms. Last but not least, luxury companies have actively carried out communication policies designed to enhance brand exclusivity. They routinely utilize celebrity images to show that their products or services are so distinctive and elegant that they ought to be enjoyed only by upper-class people with elite lifestyles.³⁸

Anti-dilution protection plays three important roles in protecting and enhancing the exclusivity of luxury brands. First, it prevents or stops a third party from using a luxury brand in classes of goods or services that are not desirable to the luxury company. The anti-blurring doctrine, for example, prohibits “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.”³⁹ It functions to prevent the prestigious images of luxury brands from being diluted into brands accessible to the mass public, an effect that would gradually whittle away the prestige of luxury brands. An example of blurring is using the Rolls Royce mark to identify restaurants, cafeterias, pants, candies, or hot chocolate. If such uses were allowed, the mark would no longer conjure up the image of a prestigious brand associated with cars made for the super rich. Instead, the mark would stand for goods or services available to the mass public. Luxury companies would then face the grave risk of losing the brands’ “selling power”⁴⁰ to many of their consumers, due to the possibility that the prestige aura of their brands might dwindle in the minds of their consumers when brands are associated with non-luxury goods or services. In his seminal paper that laid the foundation of modern anti-dilution doctrine,⁴¹ Frank Schechter highlighted the importance of the anti-blurring function in protecting the commercial interests associated with luxury brands.⁴² In

37. See, e.g., Andrew Roberts, *Building Luxury Brand Loyalty via Exclusive Experiences*, BUSINESSWEEK (Jan. 31, 2013), www.businessweek.com/articles/2013-01-31/building-luxury-brand-loyalty-via-exclusive-experiences (explaining how some luxury producers create an experience to go along with consumption in order to enhance the feeling of exclusivity).

38. See, e.g., KLAUS HEINE, *THE CONCEPT OF LUXURY BRANDS* 79-88 (2d ed. 2012) (describing the four policies adopted by luxury companies).

39. 15 U.S.C. § 1125(c)(2)(B) (2012).

40. Schechter, *supra* note 7, at 832.

41. See Barton Beebe, *Intellectual Property Law and the Sumptuary Code*, 123 HARV. L. REV. 809, 845 (2010).

42. Schechter highlighted the importance of anti-dilution protection for luxury brands: Schechter argued that a mark creates a favorable impression in the minds of the public,

1932, a New York state court enjoined a motion picture producer from using the Tiffany mark in connection with his movie producing business. It held that such use would dilute the distinctiveness of Tiffany as a mark for jewelry. The court ruled so in order to protect the interest of the Tiffany company, which was already a famous jewelry maker by that time.⁴³ Today, judges still use examples concerning luxury brands to examine the policy justifications for anti-blurring doctrine in judicial opinions.⁴⁴

The second type of dilutive acts concerns the use of luxury brands in the products or advertising activities of non-luxury brands. While the first type of dilutive acts uses luxury brands to indicate the identity of the junior user as the provider of goods or services, the second type of dilutive acts uses luxury brands to add an element of luxury to the products or services offered by the non-luxury user.

Courts have ruled out the association between luxury and non-luxury brands as a cause of harm to a luxury brand's reputation. A recent U.S. dispute between Louis Vuitton and Hyundai concerned this type of dilutive use.⁴⁵ In this dispute, Hyundai's commercial for its Sonata car model contained a scene of an inner-city basketball game featuring the use of a modified version of the Louis Vuitton monogram. According to Hyundai, the purpose of the commercial was to "redefine the concept of luxury by communicating to consumers that Sonata offered 'luxury for all.'"⁴⁶ The court ruled that Hyundai's commercial had

prompting them to buy goods marketed with that mark. The use of that mark or a similar mark on other goods would decrease the ability of the mark to have selling power; in effect it would lead to 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." Schechter, *supra* note 7, at 825. He also noted that "[i]f 'Kodak' may be used for bath tubs and cakes, 'Mazda' for cameras and shoes, or 'Ritz-Carlton' for coffee, these marks must inevitably be lost in the commonplace words of the language, despite the originality and ingenuity of their contrivance, and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery." *Id.* at 830.

43. *Tiffany & Co. v. Tiffany Prods. Inc.*, 264 N.Y.S. 459, 464 (N.Y. Ct. Cl. 1932), *aff'd*, 260 N.Y.S. Supp. 821 (N.Y.App. Div. 1932), *aff'd*, 262 N.Y. 482 (1933).

44. *See, e.g.*, *Ty Inc. v. Perryman*, 306 F.3d 509, 511-12 (7th Cir. 2002) (Posner, J.) (using hypotheticals about Tiffany & Co. as an example to raise three policy concerns about dilution: raising consumer search costs, brand tarnishment, and eliminating free riding in advertising).

45. *Louis Vuitton Malletier, S.A. v. Hyundai Motor America*, No. 10 Civ. 1611(PKC), 2012 WL 1022247, at *2 (S.D.N.Y. Mar. 22, 2012).

46. *Id.* (internal quotation marks omitted). Hyundai stated that "[t]he Commercial attempted to accomplish this goal by poking fun at the silliness of luxury-as-exclusivity by juxtaposing symbols of luxury with everyday life." *Id.*

diluted the distinctiveness of the Louis Vuitton trademark.⁴⁷ This case shows that the unauthorized use of a luxury brand in a non-luxurious setting is likely to cause trademark dilution.

The third type of dilutive acts occurs when luxury goods are sold in discounted places outside distribution channels that are authorized and controlled by luxury companies. In the first and second types of dilutive acts discussed previously, a luxury brand was used by another company for the purpose of merchandizing its products or services. The third type of dilutive acts, however, does not involve the use of a luxury brand for that purpose. Rather, infringers attempt to sell luxury goods that they acquire from luxury companies or other sources at lower prices and at venues not authorized by the relevant luxury companies. They negatively affect the merchandising policies designed by luxury companies to preserve the exclusivity of their products by controlling the venue and price at which their products should be sold.

In the European case of *Copad SA v. Christian Dior couture SA*, the plaintiff Christian Dior and the defendant had a licensing agreement⁴⁸ to maintain “the repute and prestige”⁴⁹ of the Dior mark. The agreement prohibited the sale of Dior products in places like discount stores unauthorized by Dior. The defendant-licensee, however, sold Dior products in its discount stores after Dior refused to give permission. Recognizing that “luxury goods are high-class goods,”⁵⁰ the European Court of Justice ruled that the licensee had “damage[d] the allure and prestigious image which bestows on [the Dior products] an aura of luxury.”⁵¹

2. Protecting Quality Reputation

Apart from preserving the exclusiveness of luxury brands, anti-dilution protection guards against dilutive acts that would cause harm to the quality reputation of luxury brands. Many believe that the reputation of luxury goods or services is determined by their high quality. The premium craftsmanship that luxury goods companies have endeavored to instill into their products, coupled with after-sale ser-

47. *Id.* at 10-16.

48. Case C-59/08 *Copad SA v. Christian Dior Couture SA*, ¶¶ 7-8 (Apr. 23 2009), available at <http://curia.europa.eu/juris/document/document.jsf?text=&docid=77989&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2806512>.

49. *Id.* ¶ 8.

50. *Id.* ¶ 25.

51. *Id.* ¶ 37.

vices, is key to convincing consumers to make purchases.⁵² Premium service standards are the cornerstone of luxury service providers, such as luxury hotels and clubs. As luxury goods and services are pricey, luxury consumers routinely consider the high prices to be direct indicators of high quality that luxury companies endeavor to offer. Despite high prices, many luxury consumers reckon that their purchases of luxury goods and service that have a high quality reputation guarantee the recognition of their high social status by others. Therefore, quality reputation is very important to luxury companies and has been regarded as the foremost factor in defining the concept of luxury.⁵³

The anti-tarnishment doctrine guards against dilutive use of a luxury brand that would harm its quality reputation.⁵⁴ Tarnishment may occur when a trademark is linked to “products of shoddy quality, or is portrayed in an unwholesome or unsavory context.”⁵⁵ The harm caused by dilutive use in this context is “that the public will associate the lack of quality or lack of prestige in the defendant’s goods with the plaintiff’s unrelated goods.”⁵⁶ Tarnished reputation would affect the overall demand for the luxury goods, whether consumers use the luxury products for self-presentation or self-expression.

Before the U.S. Congress passed a law to provide national anti-dilution protection, U.S. courts had examined the unique role of the anti-tarnishment doctrine in protecting the quality reputation of luxury brands. In *Rolex Watch U.S.A. v. Canner*,⁵⁷ the court admitted that a rational purchaser would not be misled to believe that a twenty-five dollar counterfeit Rolex watch available at a flea market was a true Rolex. But the court noted that trademark law must weed out counterfeits in this context because Rolex consumers would be deterred from

52. Catry, *supra* note 35.

53. *Id.*

54. Dilution by tarnishment is an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” 15 U.S.C. § 1125(c)(2)(C) (2012). Dilution by tarnishment has also been described as use of the junior mark which “without due cause is detrimental to the repute” of the senior mark. First Council Directive 89/104/EEC of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks art. 5(2).

55. *Hormel Foods Corp. v. Jim Henson Prods. Inc.*, 73 F.3d 497, 507 (2d Cir.1996) (quoting *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994)).

56. *Id.* See also Case C-408/01, *Adidas-Salomon AG v. Fitnessworld Trading Ltd.*, [2003] 1 C.M.L.R. 14, ¶ 38 (“[T]arnishment of the mark, describes the situation where [. . .] the goods for which the infringing sign is used appeal to the public’s senses in such a way that the trade mark’s power of attraction is affected.”).

57. *Rolex Watch U.S.A., Inc. v. Canner*, 645 F. Supp. 484, 492 (S.D. Fla. 1986).

purchasing genuine watches after learning of the counterfeit watches' poor quality. If poor quality counterfeit watches become readily available, Rolex's prestigious image would be diluted, discouraging consumers from buying real Rolex watches.⁵⁸

Recent judicial decisions on luxury brands have confirmed the above conclusion. In the Dior case discussed previously, the European Court of Justice asserted that "an impairment to the aura of luxury is likely to affect the actual quality of those goods." In a later U.S. case, *Fendi Adele S.R.L. v. Filene's Basement*,⁵⁹ Filene's sold counterfeit merchandise bearing one or more of the Fendi marks. The case record reflected that the marks on the counterfeit items were virtually identical to, or exact replicas of, one or more of the Fendi marks. The U.S. court held that "Filene's use of the Fendi Marks dilutes the quality of the Marks by diminishing their capacity to identify and distinguish the Fendi Products."⁶⁰

III. ANTI-DILUTION PROTECTION IN INTERNATIONAL TRADEMARK LAW

The preceding Part discussed the paramount importance of anti-dilution law in protecting luxury brands. Given that global marketing is key to luxury companies, this Part will examine whether international trademark treaties have provided minimum standards that member states must adopt in their domestic trademark systems. It will conclude that the Paris Convention for the Protection of Industrial Property (the Paris Convention)⁶¹ and the Agreement on the Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement)⁶² have not made it clear that member states should provide full anti-dilution protection.

58. *Id.* at 495 ("Individuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece. Others who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine because the items have become too common place and no longer possess the prestige once associated with them."). See also *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1244 (6th Cir. 1991) (affirming that "[t]he *Rolex Watch* court noted [it] was necessary to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer's reputation").

59. *Fendi Adele S.R.L. v. Filene's Basement, Inc.*, 696 F. Supp. 2d 368, 391 (S.D.N.Y. 2010).

60. *Id.*

61. Paris Convention for the Protection of Industrial Property art. 6*bis*, Mar. 20, 1883 (as revised at Stockholm, July 14, 1967), 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention].

62. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

A. *The Paris Convention*

Article 6*bis* of the Paris Convention is a specific provision dealing with well-known trademark protection. Article 6*bis* (1) mandates protection of well-known trademarks against registrations or uses of any junior marks that are likely to cause confusion.⁶³ It follows that member states should refuse or cancel registrations of, and prohibit use of, marks of that type in identical or similar goods. Article 10*bis* further provides that member states should prohibit “[a]ny act of competition contrary to honest practices in industrial or commercial matters that constitutes an act of unfair competition.”⁶⁴ The wording of this provision seems to guard against dilutive registrations or uses of marks that may cause unfair competition. However, this provision is construed to encompass only unfair competition acts that are likely to cause confusion.⁶⁵ The types of prohibited acts that the provision highlights are those that “create confusion,” constitute “false allegations,” or would tend to “mislead the public.”⁶⁶

B. *The TRIPS Agreement*

The TRIPS Agreement expands the scope of anti-confusion protection of well-known trademarks under the Paris Convention. Article 16(2) of the TRIPS Agreement extends protection to cover services⁶⁷ and clarifies how to determine whether a mark is well-known. Furthermore, Article 16(3) extends protection of well-known trademarks to dissimilar classes of goods and services as follows:

Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are not similar to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademark and provided that the inter-

63. Paris Convention, *supra* note 61, art. 6*bis* (1).

64. *Id.* art. 10*bis* (2).

65. See, e.g., DAVID S. WELKOWITZ, TRADEMARK DILUTION: FEDERAL STATE, AND INTERNATIONAL LAW 647 (2d ed. 2012) (“Although one could argue that this provision includes protection from trademark dilution, it has not been so construed in the United States.”).

66. Paris Convention, *supra* note 61, art. 10*bis* (3).

67. TRIPS Agreement, *supra* note 62, art. 16(2).

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ests of the owner of the registered trademark are likely to be damaged by such use.⁶⁸

This provision may be read to suggest that the TRIPS Agreement mandates anti-dilution protection of well-known trademarks. For example, the word “connection” may refer to the mental association caused by dilutive acts that blurs the distinctiveness of a senior mark. Uses that damage the interests of the owner of a senior trademark may be broad enough to encompass dilutive acts that tarnish the reputation of the senior mark. This literal reading of the Article may lead to the conclusion that the TRIPS Agreement requires member states to prohibit dilutive uses of well-known trademarks. For instance, some commentators are in favor of interpreting anti-dilution protection as a minimum standard under the TRIPS Agreement.⁶⁹ Professor Daniel Gervais, a leading authority on the TRIPS Agreement, suggests that Article 16 of the Agreement requires two types of trademark protection: anti-confusion protection under Article 16(2) and anti-dilution protection under Article 16(3).⁷⁰ Some other leading experts such as Professors Jerome Reichman⁷¹ and Carlos Correa⁷² hold the same position.

68. *Id.* art. 16(3).

69. Frederick W. Mostert, *Well-Known and Famous Marks: Is Harmony Possible in the Global Village?*, 86 TRADEMARK REP. 103, 130-31 (1996) (explaining that famous brands have been given a broader scope of protection under TRIPS against trademark infringement by noncompeting goods because of dilution); 141 CONG. REC. S19,310 (Dec. 29, 1995) (statement of Sen. Orrin Hatch) (arguing that the need for dilution protection to meet the United States’s obligations under TRIPS is one reason Congress should enact the Federal Trademark Dilution Act); K. Keith Facer, *The Federal Trademark Dilution Act of 1995: A Whittling Away of State Dilution Statutes*, 10 SETON HALL CONST. L.J. 863, 899 (2000) (“Enactment of the [FTDA] was a two-fold solution to the dilemma faced by first, U.S. companies seeking protection of their marks abroad and second, the U.S. as a signatory to the . . . TRIPS agreement providing dilution protection for trademarks.”).

70. DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 333 (2012) (“While art. 16(2) deals with confusion, art. 16(3) protects against “dilution” of a registered mark, including use detrimental to a mark’s reputation (not necessarily a well-known mark), usually leading to depreciation of the good-will attached to it, even in cases where there is no likelihood of confusion.”).

71. See J. H. Reichman, *Universal Minimum Standards of Intellectual Property Protection Under the TRIPS Component of the WTO Agreement*, 29 INT’L L. 345, 361 (1995) (discussing the background of international regulation of trademarks).

72. CARLOS M. CORREA, *TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A COMMENTARY ON THE TRIPS AGREEMENT* 192 (2007) (arguing that Article 16(3) aims to “prevent confusing uses of trademarks and thereby protect a trademark against ‘dilution’ of its distinguishing merit”).

However, there is significant disagreement as to whether the TRIPS Agreement requires anti-dilution protection.⁷³ Other commentators have argued that Article 16(3) supplements Article 16(1) by only covering more types of anti-confusion protection. In their view, Article 16(3) gives room for the owner of a registered well-known mark to sue a competitor on the basis of unfair competition that has led to false indications of a connection between these two parties and may cause the interest of the owner of the mark to be damaged. These causes of action can be found under Article 10*bis* of the Paris Convention, covering unfair competition acts such as the misappropriation of goodwill associated with a mark and a false allegation that discredits the reputation of a mark. For example, reverse passing off illustrates the expanded anti-confusion protection that falls under the ambit of Article 16(3) but not covered by Article 16(1).

Moreover, the first part of Article 16(3) also supports the restrictive interpretation that the TRIPS Agreement does not necessarily require anti-dilution protection of well-known trademarks.⁷⁴ Article 16(3) starts with: “Article 6*bis* of the Paris Convention (1967) shall apply, *mutatis mutandis*” This wording, according to Professor Ng-Loy Wee Loon, shows that Article 16(3) merely extends Paris Convention Article 6*bis* protection to dissimilar classes of goods or services. This is necessary because Article 6*bis* only requires well-known trademark protection over identical or similar classes of goods or services.⁷⁵ As she points out,⁷⁶ Article 6*bis* only requires member states to prohibit unauthorized use of a well-known trademark that would lead to consumer

73. Lisa P. Ramsey, *Free Speech and International Obligations to Protect Trademarks*, 35 YALE J. INT'L L. 405, 432 (2010) (“Yet there is disagreement on whether TRIPS Article 16(3) requires anti-dilution protection of well-known marks.”).

74. Graeme B. Dinwoodie, *The Integration of International and Domestic Intellectual Property Lawmaking*, 23 COLUM.-VLA J.L. & ARTS 307, 314 (2000) (“I don’t accept the premise that TRIPS mandates dilution protection.”); Paul J. Heald, *Trademarks and Geographical Indications: Exploring the Contours of the TRIPS Agreement*, 29 VAND. J. TRANSNAT'L L. 635, 642-43, 654-55 (1996) (arguing that dilution is not a requirement and contending that the TRIPS Agreement does not require the passage of the FTDA).

75. Ng-Loy Wee Loon, *Exploring Flexibilities within the Global IP Standards*, 2 I.P.Q. 162, 167 (2009) (“These opening words indicate that the level of protection mandated by art.16(3) is but an extension of the protection guaranteed by art.6*bis* of the Paris Convention for well-known trade marks. It is therefore critical to determine what this protection in art.6*bis* is about.”).

76. *Id.* (“The protection guaranteed by art.6*bis* is uncontrovertibly limited to prohibiting unauthorised use of the well-known trade mark in relation to identical or similar goods/services ‘that is liable to create confusion.’”).

confusion.⁷⁷ Some leading scholars have supported this line of reasoning in interpreting Article 16(3) of the TRIPS Agreement.⁷⁸

Apart from this line of reasoning, three additional reasons exist for why Article 16(3) does not require anti-dilution protection of well-known trademarks. First, the negotiating history of the TRIPS Agreement does not show that they intended to include anti-dilution protection as a minimum requirement. The Brussels draft of the TRIPS Agreement mandated the protection of any registered well-known mark against acts that “unfairly indicated a connection” with the mark.⁷⁹ The 1990 draft clearly included an anti-dilution provision, prohibiting use of a well-known mark that “takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.”⁸⁰ However, this provision was deleted from the final version of the TRIPS Agreement. The omission indicates that the Agreement may have excluded anti-dilution protection as a minimum standard.

More importantly, the proposal put forth by the United States did not include anti-dilution protection at all, and the U.S. government was one of the linchpins for the conclusion of the TRIPS Agreement. Regarding well-known marks, the proposal simply stated that protection should guard against registration of marks that are “likely to cause confusion.”⁸¹ However, registration of marks that are likely to cause dilution is not included as grounds for the invalidation of registration. The proposal further states that “[t]he owner of a trademark shall be entitled to take action against any unauthorized use which constitutes an act of unfair competition or passing off.”⁸² Again, the proposal seemed to emphasize the traditional types of trademark protection based on the likelihood-of-confusion analysis.

In fact, the U.S. Congress had rejected the 1988 Trademark Revision Act, which intended to create a new anti-dilution right in the

77. *Id.*

78. GRAEME B. DINWOODIE ET AL., INTERNATIONAL INTELLECTUAL PROPERTY LAW AND POLICY 196 (2001) (“After stating that Article 6*bis* shall apply *mutatis mutandis* to dissimilar goods and services, . . . Article 16 might plausibly be read to retain fully the confusion element of Article 6*bis* . . .”); GRAHAM DUTFIELD & UMA SUTHERSANEN, GLOBAL INTELLECTUAL PROPERTY LAW 151 (2008) (“Basically, [Article 16 of the TRIPS] supplements the protection for well-known marks required by Article 6*bis* of the Paris Convention, and emphasizes that the provisions must be applied also to services.”).

79. GERVAIS, *supra* note 70, at 273.

80. *Id.*

81. Group of Negotiations on Goods, *Negotiating Group on Trade-Related Aspects of Intellectual Property Rights including Trade in Counterfeit* 8, MTN.GNG/NG11/W/70 (Nov. 5, 1990).

82. *Id.*

United States. Rather, the Federal Trademark Dilution Act (FTDA) was enacted in 1995 and took effect in 1996. It is doubtful that the United States would attempt to create an anti-dilution right under the TRIPS Agreement that it could not protect under U.S. federal trademark law. Although bringing U.S. law into compliance with the TRIPS Agreement was used as a basis for passing the FTDA, this could have been a falsified justification for pushing through the statute after the repeated legislative failures to enact a federal anti-dilution law. A noted scholar pointed out that the word “connection” used in Article 16(3) was, in fact, adopted in the United States as a term for triggering anti-confusion protection against false approval or sponsorship.⁸³

Secondly, the Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks proposed by the World Intellectual Property Organization (WIPO) (the WIPO Recommendation)⁸⁴ demonstrates that Article 16(3) of the TRIPS Agreement does not cover anti-dilution protection. The WIPO Recommendation was adopted by the WIPO in 1999, five years after the inception of the TRIPS Agreement. Although the WIPO Recommendation is merely an international soft law creating no legal obligations,⁸⁵ it is still an important international instrument for harmonizing global trademark protection.⁸⁶ Under Article 4(1), a junior mark used for dissimilar goods or services conflicts with the well-known trademark if the junior mark constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark *and* if one of the following conditions is satisfied:

- (i) the use of that mark would indicate a connection between the goods and/or services for which the mark is used, is the subject of an application for registration, or is registered, and the owner of the well-known mark, and would be likely to damage his interests;
- (ii) the use of that mark is likely to impair or dilute in an unfair manner the distinctive character of the well-known mark;

83. WELKOWITZ, *supra* note 65, at 436.

84. WIPO Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks [hereinafter WIPO Recommendation], *available at* http://www.wipo.int/export/sites/www/about-ip/en/development_iplaw/pdf/pub833.pdf.

85. Martin Senfleben, *The Trademark Tower of Babel—Dilution Concepts in International, US and EC Trademark Law* 40 IIC 45, 51 (2009).

86. *Id.*

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(iii) the use of that mark would take unfair advantage of the distinctive character of the well-known mark.⁸⁷

With this provision, the WIPO Recommendation sheds light on whether Article 16(3) of the TRIPS Agreement has embraced anti-dilution protection as a minimum standard for global trademark protection. As shown above, Article 4(1)(b) of the WIPO Recommendation has three parts. The first part contains language that is identical with that of Article 16(3) of the TRIPS Agreement. The second and third parts of this Article expressly require member states to provide anti-dilution protection to the owners of well-known trademarks.⁸⁸ The language such as “dilute . . . the distinctive character” and “take unfair advantage” of the well-known mark contains the typical anti-dilution terminologies used in U.S. and E.U. anti-dilution law.

Thus, the WIPO Recommendation would be redundant if Article 16(3) of the TRIPS Agreement were to require anti-dilution protection. However, the Explanatory Notes attached to the WIPO Recommendation make it clear that the first part of Article 4(1)(b) of the WIPO Recommendation only deals with likelihood of confusion stemming from false association or sponsorship:

Under this item, a connection between a well-known mark and a third party's goods or services may be indicated, for example, if the impression is created that the owner of the well-known mark is involved in the production of those goods, or the offering of those services, or that such production or offering was licensed or sponsored by him. The interests of the owner of the well-known mark could be damaged if the goods and/or services with which the connection is established have a down-market image, thereby reflecting negatively on the goodwill of the well-known mark.

This note shows that both Article 4(1)(b) of the WIPO Recommendation and Article 16(3) of the TRIPS Agreement are intended to extend anti-confusion protection of well-known trademarks from the traditional confusion regarding sources of goods to confusion regarding false association and/or sponsorship.⁸⁹ Both types of confusion may

87. See WIPO Recommendation, *supra* note 84, art. 4(1).

88. Martin Senftleben, *The Trademark Tower of Babel—Dilution Concepts in International, US and EC Trademark Law* 40 IIC 45, 53 (2009).

89. WELKOWITZ, *supra* note 65, at 437.

cause harm to the legitimate interests of trademark owners. Based on this consideration, Article 4(1)(b) of the WIPO Recommendation further separates out two more provisions requiring anti-dilution protection.

In fact, the WIPO Recommendation reaffirms that the protection of well-known trademarks can take two forms: anti-confusion and anti-dilution protection. Each type protects the interests of trademark owners in different ways. Anti-dilution protection is afforded in the absence of a likelihood of confusion. Therefore, there is a need to have separate provisions setting forth each type of protection. If this arrangement of the WIPO Recommendation were inappropriate, representatives from members states of the TRIPS Agreement would not have supported the passage of this document at the meetings of the Assemblies of the Member States of WIPO.

Thirdly, implementation of the TRIPS Agreement in several states further indicates that Article 16(3) does not necessarily include anti-dilution protection as a minimum standard for trademark protection. In Australia, there is no anti-dilution law. Australia could nonetheless argue that its obligation under the TRIPS provisions was fulfilled by enactment of Section 120(3) of Trade Marks Act 1995, which protects well-known senior marks against confusing use of junior marks on dissimilar goods or services in its infringement law.⁹⁰ Singapore introduced the anti-dilution protection right into its trademark law, not for the purpose of complying with the TRIPS Agreement, but to bring its law in line with the WIPO Recommendation that explicitly requires anti-dilution protection.⁹¹ Moreover, China did not establish the statutory anti-dilution right until 2009,⁹² and no countries challenged the lack of anti-dilution protection during the review of China's implementation of the TRIPS Agreement conducted by the TRIPS Council.⁹³ If the TRIPS Agreement required anti-dilution protection, other member states would have pointed out China's violation of this obligation.

90. Trade Marks Act, 1995, § 120(3) (Austl.).

91. Ng-Loy Wee Loon, *The Sense and Sensibility in the Anti-Dilution Right*, 24 SING. ACAD. L.J. 927, 941-43 (2012).

92. See *infra* text accompanying notes 185-87.

93. See Council for Trade-Related Aspects of Intellectual Property Rights, Review of Legislation—China, IP/Q/CHN/1;IP/Q2/CHN/1;IP/Q3/CHN/1; IP/Q4/CHN/1,10/12/2002. After searching with the word “dilution,” no search results turned up.

C. *Geographic Indications*

Articles 22 and 23 of the TRIPS Agreement provide specific anti-dilution protection for geographic indicators (GIs). Article 22 forbids the use of a mark “that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the good.”⁹⁴ Article 23 provides further protection for wines and spirits prohibiting misdescriptive GIs “even where the true origin of the goods is indicated or the geographical indication is used in translation or accompanied by expressions such as ‘kind,’ ‘type,’ ‘style,’ ‘imitation,’ or the like.”⁹⁵

For example, in the *Elderflowers Champagne* case,⁹⁶ the issue was whether the defendant could use the term “champagne” to refer to a non-alcoholic sparkling beverage made with elderflower. The product was not sold in the same retail outlets as traditional champagne and was sold, in part, for the elderflower’s reputation “for warding off colds and flus, and for cooling and cleansing the system.”⁹⁷ Despite these dissimilarities, the court granted an injunction restraining the use of the word “champagne,” noting that the use of the GI, even for a non-competing product, led to an “erosion of the distinctiveness of the name champagne . . . [and] the goodwill in the distinctive name champagne will be eroded with serious adverse consequences for the champagne houses.”⁹⁸ This case shows that the TRIPS provisions on GIs provide fairly strong anti-dilution protection for famous⁹⁹ trademarks, even if consumers can distinguish between the famous traditional alcoholic beverage from Champagne and a non-competing mark for a non-alcoholic elderflower beverage.

In the United States, the Lanham Act restricts the registration of GIs that are either misdescriptive or are geographically deceptive.¹⁰⁰ However, if the GI identifies the source of the goods, the mark is considered

94. TRIPS Agreement, *supra* note 62, art. 22(2)(a).

95. *Id.* arts. 1, 23.

96. *Taittinger v. Allbev Ltd.*, 4 All E.R. 75 (1994) (U.K.).

97. *Id.* at 80.

98. *Id.* at 88.

99. Whether a mark is “widely recognized by the general consuming public of the United States” or not depends on: (1) the duration, extent, and geographic reach of advertising and publicity of the mark; (2) the amount, volume, and geographic extent of sales of goods or services offered under the mark; and (3) the extent of actual recognition of the mark. Trademark Dilution Revision Act of 2006, H.R. 683, 109th Cong. § 2 (2006).

100. Lanham Act § 2, 15 U.S.C. § 1052(e) (2012).

geographically descriptive and is not provided with any trademark protection.¹⁰¹ Nevertheless, section 2(e) provides that GIs registered under § 4 of the Lanham Act as collective marks and certification marks are an exception to the general rule against protecting GIs.¹⁰²

Hence, a GI may be registered “in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered”¹⁰³ and receive protections against both trademark infringement and dilution in the United States.

IV. DIVERGENCES IN DOMESTIC ANTI-DILUTION LAWS

The preceding Part showed that no clear-cut minimum standards of anti-dilution protection exist in international trademark treaties. The absence of such standards makes it more difficult for luxury companies to enforce their rights and to convince national governments to provide adequate anti-dilution protection based on international law requirements. This Part will further show that the lack of minimum standards of anti-dilution protection in international trademark treaties has led to the second major challenge that the luxury industry faces: the wide divergences in domestic anti-dilution protection. This Part will analyze divergences in the United States, E.U., and China, the three largest luxury markets in the world, and discuss why the divergences have created hurdles for the luxury industry in protecting their brands against dilutive uses.

A. *Divergences in the United States and E.U.*

Adopted in 1995, the U.S. Federal Trademark Dilution Act provides uniform anti-dilution protection in the U.S. In 2006, it was revised by the Trademark Dilution Revision Act (TDRA). In the E.U., the Trademark Harmonization Directive provides E.U.-wide anti-dilution protection and was adopted in 1988 by the European Council. While both sets of laws were designed to prohibit trademark dilution, there is a wide discrepancy in their standards of anti-dilution protection. This section will discuss these major discrepancies.

101. *Id.*

102. See ROBERT MERGES, PETER MENELL & MARK LEMLEY, *INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE* 653 (2d ed. 2000) (showing that GIs registered under the Lanham Act are an exception to the general rule).

103. Lanham Act § 4, 15 U.S.C. § 1054 (2012).

1. Requisite Level and Proof of Fame

Anti-dilution protection is afforded only to well-known trademarks. The factors that U.S. and E.U. courts consider in proving fame substantially overlap.¹⁰⁴ Both jurisdictions consider sales or turnovers, though a lower level of sales will suffice in the E.U. to reach the threshold.¹⁰⁵ Other common factors include usage in terms of duration and extent, advertising effort, and third party recognition of status (e.g., professional rankings).¹⁰⁶

However, there is a major difference in the requisite level of recognition to qualify for protection. In the United States, the TDRA mandates that only marks that enjoy nationwide fame will qualify for anti-dilution protection. Nationwide fame is defined as being “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.”¹⁰⁷ By contrast, marks that enjoy only niche fame in the marketplace will be protected under the E.U. anti-dilution law. As long as a mark has a reputation in a substantial part of the relevant sector of an industry, it will be recognized as a well-known trademark.¹⁰⁸

The E.U. position is discussed in the judgment of *General Motors Corp. v. Yplon SA*.¹⁰⁹ General Motors and Yplon were both proprietors of the Benelux trademark “Chevy,” but for different product classes. In this case, General Motors applied for an injunction restraining Yplon from using the trademark “Chevy” for their detergents and cleaning products on the basis that such use of the trademark would dilute General Motors’ “Chevy” trade mark on its motor vehicles, thus affecting the mark’s advertising functions. The issue was whether General Motors’ trademark “Chevy” had established the requisite level of reputation. The court ruled that the relevant public concerned for the necessary reputation depends on the products or services marketed under the senior mark. Therefore, the relevant public could be the public at large or a more specialized public, such as traders in a specific sector.¹¹⁰

In the United States, the reference to the general public eliminates any possibility that a brand owner can rely on the brand’s niche fame in a limited geographic area or a specialized market segment to claim

104. ILANAH S. FHIMA, TRADEMARK DILUTION IN EUROPE AND THE UNITED STATES 47 (2011) .

105. *Id.* at 51.

106. *Id.* at 34-64.

107. 15 U.S.C. § 1125(c)(2)(A) (2012).

108. Ng-Loy, *supra* note 91, at 937.

109. Case C-375/97, *General Motors Corp. v. Yplon SA*, 1999 E.C.R.122.

110. *Id.* at 24.

anti-dilution protection.¹¹¹ The Federal Circuit’s recent decision in *Coach Services, Inc. v. Triumph Learning LLC*¹¹² demonstrates significant evidentiary pitfalls that even the owner of a very familiar brand may face for satisfying the fame precondition for anti-dilution protection. In this case, Coach opposed the registration of the defendant’s mark “Coach” for educational materials used to prepare students for standardized tests. Coach asserted that the defendant’s trademark registration would blur the distinctiveness of its own Coach mark for luxury goods. Coach successfully proved its famous mark status for its anti-confusion claim, but it failed to prove that the fame of Coach is significant enough to deserve anti-dilution protection.¹¹³ In this respect, the court ruled that, although Coach handbags were extremely well-known and highly regarded by many consumers in the United States, Coach had failed to submit sufficient evidence to prove that its mark had become a household name and thus had not reached the requisite level of reputation to be entitled for anti-dilution protection.¹¹⁴

Therefore, luxury brands may encounter difficulty in proving nationwide fame for anti-dilution protection. Not all luxury brands or different versions of a luxury brand have been recognized as well-known trademarks. U.S. courts have recognized some luxury brands as famous marks entitled to anti-dilution protection. They include Audi, Rolex, Louis Vuitton, Victoria’s Secret, and Tiffany.¹¹⁵ However, luxury brands that have adopted low-profile marketing strategies¹¹⁶ may face challenges in proving their marks to be nationally famous. For example, Bottega Veneta is known for not using logos on the surfaces

111. *Top Tobacco, L.P. v. N. Atl. Operating Co.*, 509 F.3d 380, 384 (7th Cir. 2007) (noting that the general public requirement “eliminated any possibility of ‘niche fame,’ which some courts had recognized before the amendment”). The stakes in alleging dilution and proving fame are high. If a plaintiff fails to provide sufficient evidence of fame as defined in Lanham Act § 43(c)(2)(A), then its dilution claim completely fails.

112. *Coach Svcs., Inc. v. Triumph Learning, LLC*, 668 F.3d 1356 (Fed. Cir. 2012).

113. *Id.* at 1376; see also J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:104 (4th ed. 2011) (“The standard for the kind of ‘fame’ needed to trigger anti-dilution protection is more rigorous and demanding than the ‘fame’ which is sufficient for the classic likelihood of confusion test.”).

114. *Coach Svcs.*, 668 F.3d at 1375.

115. See, e.g., *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 265 (4th Cir. 2007) (“LVM owns famous marks that are distinctive”); *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 523 (S.D.N.Y. 2008), *aff’d in part, rev’d in part*, 600 F.3d 93 (2d Cir. 2010); *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734, 743-44 (W.D. Ky. 2008).

116. There is also a belief that “[a] true luxury brand doesn’t have to advertise.” Tim Hill, *How Experiences Are Redefining Luxury*, THE GUARDIAN, www.guardian.co.uk/media-network/partner-zone-brand-union/luxury-experiences (last visited Mar. 8, 2014).

of their products in order to increase brand exclusivity.¹¹⁷ Hermès sells their products without much marketing.¹¹⁸ Since the fame of a mark is essentially measured by advertising and marketing efforts made by the owner of the mark,¹¹⁹ these low-profile marketing strategies could make it difficult for the relevant luxury companies to prove the well-known status of their trademarks.

2. Requisite Degree and Proof of Association

To establish a claim in trademark dilution, the senior mark owner must prove the presence of an association between the senior and junior mark.¹²⁰ Though the mere existence of association is not actionable per se, it is acknowledged as a necessary condition under both U.S. and E.U. law. Without such connection, the diminishing distinctiveness of the senior mark could not be attributed to the junior mark user.¹²¹

However, the E.U. and the United States differ in the emphasis of the approach to establishing association. In the E.U., association is a separate stage of the dilution analysis. A global appreciation approach is adopted in establishing association, taking into account all the relevant factors and their inter-relations that lead to the formation of association on a case-by-case basis.¹²² The range of relevant factors should not be limited to the similarity of marks, even though it is the only factor expressly stated by the Directive.¹²³ Instead of identifying an exhaustive list of factors in considering the presence of association, the European Court of Justice gave a number of important factors in

117. See Kate Betts, *Fashion: The Height of Luxury*, TIME (Apr. 23, 2006), <http://www.time.com/time/magazine/article/0,9171,1186563,00.html> (describing Bottega Veneta's strategy of not using logos with the concept that "the consumer can recognize a brand by the design and quality of the product instead of by a logo").

118. See Jing Jing, *Fashion Forward*, CHINA DAILY, www.chinadaily.com.cn/bw/2007-07/02/content_907229.htm (noting that Hermès "usually takes a low-profile marketing approach") (last updated Feb. 7, 2007); *Inside Hermès China—Part II*, RED LUXURY (Nov. 9, 2010), <http://red-luxury.com/2010/11/09/inside-hermes-china-part-ii/> (reporting that "Hermès marketing strategy in China is less about direct advertising and more about building a deeply loyal customer base and a carefully crafted image").

119. See TRIPS Agreement, *supra* note 62, art. 16(2) ("Members shall take account of the knowledge of the trademark in the relevant sector of the public, including knowledge in the Member concerned which has been obtained as a result of the promotion of the trademark.").

120. FHIMA, *supra* note 104, at 65.

121. *Id.*

122. *Id.* at 69.

123. *Id.* at 71.

the leading case of *Intel v. CPM*: degree of similarity of the conflicting marks, similarity of the nature of goods/services for which the conflicting marks were registered, strength of the senior mark's reputation, distinctiveness of the senior mark, and likelihood of confusion to the public.¹²⁴ On the other hand, in the United States, association is usually part of the wider consideration of dilution instead of a separate stage of analysis. In assessing the presence of association, similarity of marks plays a greater role than other factors in the United States.¹²⁵

Both jurisdictions consider similarity of marks to be a particularly important factor in establishing association and a fundamental requirement for dilution and unfair advantage.¹²⁶ However, the level of similarity required is different. Before TDRA, the general agreement among U.S. courts was to apply a "near identity" standard.¹²⁷ After TDRA, they adopt a liberal construction of what a "near identity" standard means in practice, considering also the underlying similarity of the marks especially when the two marks cannot be mistaken for each other.¹²⁸ Such a subtle change in the U.S. position could be reflected in *Jada Toys v. Mattel*,¹²⁹ in which the court found Hot Wheels and Hot Rigz to be nearly identical. Although the second word in each mark was different and the marks were clearly visually different, both marks were accompanied by a flame in similar color and conveyed similar concepts. The court rendered the two marks "nearly identical" based on the similarity in concept.¹³⁰ Nevertheless, the E.U. courts still require a much lower standard than their U.S. counterparts in the assessment of degree of similarity. In the E.U., the junior mark will be regarded as a similar one to the senior mark once it brings the senior mark to the mind of the consuming public.¹³¹

3. Blurring or Detriment to Distinctive Character

In the United States, dilution by blurring is defined as the association arising from the similarity between a junior mark and a senior mark that impairs the distinctiveness of the famous mark.¹³² In the E.U.,

124. Case C-252/07, *Intel Corp., Inc. v. CPM United Kingdom Ltd.*, 2008 E.C.R.I-8823.

125. FHIMA, *supra* note 104, at 107.

126. *Id.* at 73.

127. *Id.* at 76.

128. *Id.* at 77-78.

129. *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 635 (9th Cir. 2008).

130. *Id.*

131. FHIMA, *supra* note 104, at 107.

132. 15 U.S.C. § 1125(c)(2)(B) (2012).

detriment to a mark's distinctive character is also referred to as dilution or whittling away or blurring.¹³³

For proving dilution by blurring, the U.S. anti-dilution law lists six non-exhaustive factors for consideration, namely: degree of similarity between the parties' marks, degree of inherent or acquired distinctiveness of the famous mark, extent to which the senior user is engaging in substantially exclusive use of the senior mark, degree of recognition of the senior mark, whether the user of the mark or trade name intended to create an association with the famous mark, and any actual association between the parties' marks.¹³⁴ On the other hand, *Intel v. CPM* indicated five relevant factors to prove detriment to distinctive character in the E.U., namely: existence of a link between parties' marks, strength of distinctiveness of the senior mark, reputation of the senior mark, degree of uniqueness of the senior mark, and change in economic behavior of customers.¹³⁵

The major difference between these two tests is that the E.U. test requires a proof of change of economic behavior of customers. Senior users have to show that damage has been caused or that there is a strong likelihood that damage will occur.¹³⁶ However, there is a lack of guidance as to how such change in economic behavior can be shown and what kind of evidence can be accepted.¹³⁷ If such a requirement means a likely loss of sales, it would defeat the purpose of the blurring claim that is supposed to prevent brand blurring from happening.¹³⁸ The E.U. requirement is therefore more restrictive than its U.S. counterpart. It could be as strict as the actual dilution standard that had been used in U.S. anti-dilution law before it was revised. Therefore, it seems that owners of luxury brands will have more difficulty proving that the distinctive characters of their brands have been blurred in the E.U.

4. Tarnishment or Detriment to Repute of a Trademark

In the United States, dilution by tarnishment is defined as the association arising from a similarity between a junior mark and a senior mark that harms the reputation of the famous mark.¹³⁹ In the E.U., it is

133. Case C-252/07, *Intel Corp., Inc. v. CPM United Kingdom Ltd.*, 2008 E.C.R.I-8823.

134. 15 U.S.C. § 1125(c)(2)(B)(i)-(vi) (2012).

135. Case C-252/07, *Intel Corp., Inc. v. CPM United Kingdom Ltd.*, 2008 E.C.R.I-8823.

136. *Id.* ¶ 77.

137. FHIMA, *supra* note 104, at 148.

138. Ng-Loy, *supra* note 91, at 952.

139. 15 U.S.C. § 1125(c)(2)(C) (2012).

accepted that detriment to repute is equivalent to dilution by tarnishment.¹⁴⁰ There is no multifactor test or defined scope of tarnishment in either the United States or the E.U.¹⁴¹ The common understanding is that tarnishment of a trademark occurs when the public's impression or objective evaluation on the senior mark would be lowered by the unauthorized use.¹⁴²

The major difference between the two jurisdictions is the range of situations covered under tarnishment claims. In the United States, the broad and flexible approach in evaluating the effect of tarnishment has enabled a wider range of situations where the junior mark may give rise to a negative association.¹⁴³ Although uses in sexual, obscene, or illegal contexts are classic examples of tarnishment, they do not pose limitations on the scope of tarnishment.¹⁴⁴ In *New York City Triathlon*, even poor customer service provided by a junior user could tarnish the reputation of the senior user.¹⁴⁵

By contrast, the range of activities that have been recognized as capable of harming the senior mark's repute is more restrictive in the E.U. It is mostly confined to cases where dissonance arises from inherently unsavory junior goods, the incompatible nature of senior and junior goods, or conflict between the image of the senior mark and the junior goods.¹⁴⁶ Furthermore, in considering the reputation of a senior mark, not only must the senior user prove the presence of a reputation, it is also required in some instances to establish that the reputation is of a particular positive image.¹⁴⁷ Unlike in the United States, in Europe the restrained approach has limited the scope of tarnishment.¹⁴⁸

The difference in the scope of tarnishment between the United States and E.U. can be illustrated by claims against use by poor quality goods. In the United States, state law includes in the definition of tarnishment and allows as a cause of action use by junior goods of poor quality. In *Dallas Cowboys v. America's Team*, the junior user produced wristbands that carried the senior mark with an incorrect spelling of

140. FHIMA, *supra* note 104, at 175.

141. *Id.* at 188.

142. Ng-Loy, *supra* note 91, at 960.

143. FHIMA, *supra* note 104, at 188.

144. *Id.* at 168.

145. *NYC Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305 (S.D.N.Y. 2010).

146. FHIMA, *supra* note 104, at 179.

147. *Id.* at 175.

148. *Id.* at 188.

the word “basketball,” which was held to be a form of tarnishment.¹⁴⁹ E.U. courts, on the other hand, usually dismiss claims of use on poor quality goods as speculative, rejecting the argument that poor quality goods could cause detriment to a trademark’s repute.¹⁵⁰ However, a possible explanation to the skewed European decisions is that most claims have been raised in opposition to registration. Under these circumstances, the junior users have not used the marks yet, which makes it difficult for senior users to produce evidence of a future junior goods’ poor quality.¹⁵¹

5. Taking Unfair Advantage of Distinctive Character or Repute

E.U. law not only guards against dilution by blurring and tarnishment, but also penalizes dilutive acts that take unfair advantage of the distinctive character or repute of a well-known mark. Unlike other dilution claims, the focus of “taking unfair advantage” shifts from the harm done to the senior mark to the benefit gained by the junior user.¹⁵² There is no equivalent provision in the United States prohibiting free-riding acts, as this right against free-riding does not further the economic purpose of trademark law—that is, it does not help create an incentive for trade mark proprietors to build trademarks with strong reputation.¹⁵³

The concept of “taking unfair advantage of the distinctive character of the senior mark” refers to “free rid[ing] on the goodwill of the well-known mark.”¹⁵⁴ In *L’Oréal SA v. Bellure NV*, the ECJ described “free riding” as benefiting from the senior mark’s power of reputation “without paying any financial compensation.”¹⁵⁵ In assessing whether there is free riding, the court undertakes:

a global assessment, taking into account all factors relevant to the circumstances of the case, which include the strength of the mark’s reputation and the degree of distinctive character of the mark, the degree of similarity between the marks at issue

149. *Dallas Cowboys Football Club, Ltd. v. Am.’s Team Prop., Inc.*, 616 F. Supp 2d 622, 643 (N.D. Tex. 2009).

150. FHMA, *supra* note 104, at 185.

151. *Id.*

152. *Id.* at 189.

153. Ng-Loy, *supra* note 91, at 969-70.

154. Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks explanatory note 4.5 (2000).

155. Case NVC-487/07, *L’Oreal SA v Bellure* 2009 E.C.R. I-5185, ¶ 49.

and the nature and degree of proximity of the goods or services concerned¹⁵⁶

Following *L'Oréal*, E.U. courts must determine whether an advantage is derived unfairly from the mental association made by the public between the junior mark and the senior mark. An example of an advantage is the better sales that the junior user enjoys as a result of the mental association with the senior mark. In *L'Oréal*, the defendant sold perfumes that smelled like L'Oréal's perfumes with packaging similar to that of L'Oréal's products. Evidence showed that the defendant's sales of the perfume were improved by using L'Oréal's packaging, allowing the defendant to charge more for its perfumes at the same time.¹⁵⁷ The claim succeeded in this case, illustrating how a junior user may derive benefits from the senior mark's strong reputation without making any contribution to the senior mark.

6. Defenses

Defenses against dilution claims promote the protection of freedom of expression and prevent anti-dilution from unduly constraining legitimate market competition. There are generally three statutory defenses against dilution claims in the United States. They are categorized as fair use, news reporting, and non-commercial use.¹⁵⁸ However, in the E.U., the Trademark directive does not expressly provide for such defenses specific to dilution. Instead, defendants have to rely on general defenses to trademark infringement that have been interpreted narrowly and are subject to more restraints. Therefore, the U.S. anti-dilution law is believed to be providing stronger protection of freedom of expression.¹⁵⁹

a. *Fair use*

The category of fair use in the United States includes nominative fair use, descriptive fair use, comparative advertising, and parodic use. There is no general fair use-based defense to dilution in the E.U. Nominative fair use exempts a user from liability when he uses the

156. *Id.* ¶ 44.

157. *L'Oréal SA v. Bellure NV* [2007] RPC 14 at [60] and [151].

158. This section focuses on fair use and non-commercial use. The news reporting defense under U.S. anti-dilution law provides exemption for "all forms of new reporting and news commentary," covering newspapers, television news, and news commentary on trademarks.

159. There is no such equivalent defense in the E.U. FHIMA, *supra* note 104, at 239-40.

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senior mark to identify a senior user.¹⁶⁰ In the E.U., the nominative use defense is not available.

Descriptive fair use applies where a junior user uses the senior mark to describe its own goods.¹⁶¹ In the E.U., the descriptive fair use defense is available following *Adam Opel AG v. Autec AG*, as long as such junior use is “in accordance with honest practice in industrial and commercial matters.”¹⁶² Otherwise, junior users may have to rely on the general defense of use with due cause, which is limited in effect and for which scope is uncertain.¹⁶³

In the United States, the comparative advertising defense covers fair advertisement or promotion that permits consumers to compare goods or services.¹⁶⁴ There is no such defense in E.U. trademark law. Rather, comparative advertising is regulated under the Misleading and Comparative Advertising Directive,¹⁶⁵ which presumptively permits comparative advertising except for some advertising modes.¹⁶⁶ In addition, the advertising must not “discredit or denigrate the senior marks” and cannot “take unfair advantage of the reputation of a senior mark,” requirements that basically render this defense toothless in the E.U.¹⁶⁷

U.S. anti-dilution law also provides for parodic use. It is a blanket exception for all parodies of trademarks regardless of whether or not there is a commercial context, provided that such parodic use is fair and is not a designation of source for the junior user’s goods or services.¹⁶⁸ However, there is no such equivalent defense in the E.U.¹⁶⁹

The parody defense is best epitomized by *Chewy Vuitton*.¹⁷⁰ Louis Vuitton, the well-known French manufacturer of luxury handbags and accessories, sued Haute Diggity Dog for its sale of dog chew toys “Chewy Vuitton,” claiming that it had infringed and diluted the trademarks of Louis Vuitton. “Chewy Vuitton” imitated the shape, coloring, and overall design of a Louis Vuitton handbag, using a “CV” logo

160. *Id.* at 225.

161. *Id.* at 227.

162. Case C-48/05, *Adam Opel AG v. Autec AG* C-48/05 2007 E.C.R. I-1017 ¶ 3.

163. FHIMA, *supra* note 104, at 249.

164. *Id.* at 232.

165. Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning Misleading and Comparative Advertising, art. 4 [hereinafter *Misleading and Comparative Advertising Directive*].

166. FHIMA, *supra* note 104, at 234.

167. *Misleading and Comparative Advertising Directive*, *supra* note 165, § 4(d)-(f).

168. FHIMA, *supra* note 104, at 236.

169. *Id.* at 238.

170. *Louis Vuitton Malletier v. Haute Diggity Dog*, 507 F.3d 252 (4th Cir. 2007).

instead of “LV” to parody the high-end brand and conspicuous consumption in general. In its analysis of the parody defense, the court noted that the dog toys imitated Louis Vuitton’s famous handbags while clearly communicating that the toys were not LVM products.¹⁷¹ The juxtaposition of “the irreverent representation and idealized image of an LVM handbag [] immediately conveys a joking and amusing parody” and such “satire is unmistakable.”¹⁷² Therefore, the court held that “Chewy Vuiton” toys were successful parodies. The court then went on to consider the dilution claim, taking into account the facts of the case, *i.e.*, a presence of a successful parody.¹⁷³ The court concluded that “Chewy Vuiton” would not diminish the distinctiveness of the famous Louis Vuitton mark.

b. *Non-commercial use*

The defense of non-commercial use in the United States is significant because the parodic use defense is not applicable where the junior use involves designation of source.¹⁷⁴ In the E.U., although there is no such equivalent defense, dilution action is limited to commercial uses of trademarks by defendants with the purpose of gaining economic advantage.¹⁷⁵ Despite this, the parodic use defense is limited in effect in the E.U. because it will not shelter the junior user who uses the mark in question for commercial purposes even when he does so for the public interest.¹⁷⁶

7. Summary

This section summarized the major differences between U.S. and E.U. anti-dilution laws. There are other minor differences. For example, the proprietors of senior marks (whether the mark is registered or not) can institute dilution infringement claims against any junior user in the United States, but only proprietors of registered senior marks can bring such claims in the E.U.¹⁷⁷ Furthermore, an injunction is the general remedy available in the United States and other addi-

171. *Id.* at 260.

172. *Id.* at 261.

173. *Id.* at 266-67.

174. FHIMA, *supra* note 104, at 240.

175. Case C-206/01, Arsenal Football Club Plc v. Matthew Reed 2002 E.T.M.R. I-10273 ¶ 40.1.

176. FHIMA, *supra* note 104, at 242.

177. Ng-Loy, *supra* note 91, at 941.

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tional remedies are only available if certain criteria under § 43(c) (5) of the Lanham Act are satisfied. But in the E.U., monetary remedies are normally available.¹⁷⁸

More luxury brands will likely receive anti-dilution protection in the E.U. because of its recognition of niche fame, which enlarges the scope of marks that are entitled to anti-dilution protection. However, it will be harder for owners of luxury brands to prove dilution by blurring in the E.U. than in the United States, because, after the *Intel* decision, they are required to show the diversion of sales. Since a wider range of acts has been deemed to cause tarnishing of trademarks, owners of luxury brands will find it easier to prove the likelihood of dilution by tarnishment in the United States. As the section showed, the public interest has been better protected by U.S. anti-dilution law with more defenses against dilution claims. This means that the dilution claims made by luxury brand owners may face strong statutory defenses like parody in the United States, while in the E.U. they would face weaker statutory defenses.

B. *China*

As noted in Part I, China has become the world's largest luxury market.¹⁷⁹ But compared with the United States and the E.U., counterfeiting is still highly rampant in China. Against this backdrop, China's anti-dilution law is critically important for luxury companies to protect their brands in China.

1. Statutory Sources of Anti-Dilution Protection

The Chinese Trademark Law is the major statute containing the principles, standards, and rules for trademark protection in China. So far, there are no specific provisions in the Trademark Law that provide explicit recognition of the anti-dilution doctrine for protecting well-known trademarks.¹⁸⁰

178. *Id.*

179. *See supra* Part I.A.

180. *See* Melaine Zhu & Cecilia Zhou, *Anti Dilution: A Powerful Tool for Well Known Mark Protection in China*, March 2011, available at <http://www.chinalawandpractice.com/Article/2781459/Channel/7576/Anti-Dilution-a-powerful-tool-for-well-known-mark-protection-in-China.html> ("Although the [Chinese] trademark law complies with both TRIPS and the Paris Convention, it does not contain any express anti dilution provisions.").

The Trademark Law contains one article that deals specifically with the protection of well-known trademarks. Article 13 of the Trademark Law¹⁸¹ provides:

A trademark shall not be registered and its use shall be prohibited where the trademark constitutes a reproduction, an imitation, or a translation, of a well-known trademark of another person not registered in China and is likely to create confusion, if the trademark is the subject of an application for registration in respect of goods which are identical or similar to the goods to which the well-known trademark applies.

This provision protects registered well-known trademarks against unauthorized uses that would cause likelihood of confusion. Protection is covered across all classes of goods and services, which is required by the TRIPS Agreement. Article 13 of the Trademark Law further provides protection of unregistered well-known trademarks, although it limits protection to identical or similar classes of goods and services.¹⁸²

Thus, the wording of Article 13 shows that it only provides anti-confusion protection for well-known trademarks. Anti-dilution protection is not covered by this provision. On May 1, 2009, the Supreme People's Court issued The Judicial Interpretation Concerning the Trial of Civil Cases of Protection of Well-known Marks (Judicial Interpretation).¹⁸³ It clarifies the Article by defining "likel[ihood] to create confusion" as misleading the public as to the sources of the goods of the well-known mark and the junior mark or as to the relationship between the well-known mark and the junior mark.¹⁸⁴ Meanwhile, Article 9 of the Judicial Interpretation provides:

181. Trademark Law of the People's Republic of China art. 13 (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 23, 1982, effective Mar. 1, 1983) (China).

182. *Id.* ("A trademark shall not be registered and its use shall be prohibited where the trademark constitutes a reproduction, an imitation, or a translation, of a well-known trademark of another person already registered in China and is likely to mislead the public and damage the interests of the owner of the registered well-known trademark, if the trademark is the subject of an application for registration in respect of goods which are not identical or similar to the goods to which the well-known trademark applies.").

183. Guizeng Liu, *Protection against Dilution of a Trademark*, AIPPI 1, 2 (2010).

184. Judicial Interpretation Concerning the Trial of Civil Cases of Protection of Well-known Marks issued by the Supreme People's Court art. 9 (effective May 1, 2009) [hereinafter Judicial Interpretation].

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Where it is sufficient to make the relevant general public believe that there is a certain connection between the trademark against which the lawsuit is lodged and the well-known trademark and as a result the distinctiveness of the well-known trademark is blurred and the market reputation of the well-known trademark is degraded or the market reputation of the well-known trademark is improperly utilized, this would fall within the circumstance as provided in paragraph 2 of Article 13 of the Trademark Law: “. . . misleads the general public and leads to possible damage to the interests of the registrant of that well-known trademark.”¹⁸⁵

This provision is said to form the legal basis of the anti-dilution doctrine.¹⁸⁶ According to this provision, if a mark can be recognized as a well-known mark, then it would be entitled to anti-dilution protection against blurring or tarnishment.

2. Recognition of Well-Known Marks

In China, only a well-known mark, as opposed to one that is famous in the United States or has a reputation in the E.U., is qualified for anti-dilution protection under the 2009 Supreme Court Interpretations.¹⁸⁷ According to Article 2 of the Provisions on the Determination and Protection of Well-Known Marks, another interpretation issued by the Chinese Supreme Court, a well-known mark is defined as one that is widely known to the relevant sector of the public, which includes consumers, competitors, and other relevant people in the distributing channel.¹⁸⁸

It appears that the wording of the law is subject to wider and more flexible interpretation than the stricter U.S. requirement of “general consuming public.” It means that in China, proving either a national reputation from a geographical perspective¹⁸⁹ or a niche fame that is known to a relevant sector of an industry¹⁹⁰ could be sufficient for the

185. *Id.*

186. *Id.*

187. Liu, *supra* note 183, at 3.

188. Provisions on the Determination and Protection of Well-Known Marks art. 2, WIPO, http://www.wipo.int/about-ip/en/development_iplaw/pub833-02.htm.

189. Yangyue Chen, *Should China Protect Trademarks against Dilution? A Critical Look at the Experience of the United States and the Prospects for Application in China* 29, available at papers.ssrn.com/sol3/papers.cfm?abstract_id=1683082. 6

190. *Id.*

purpose of showing that a mark is well known. As a result, 3,180 trademarks were recognized as having the well-known mark status by 2011.¹⁹¹ It is estimated that China protects the largest number of well-known trademarks among all the countries in the world.¹⁹²

Article 14 of the Chinese Trademark Law provides that the following factors have to be considered in determining whether a mark is well known or not: (1) knowledge of the mark in the relevant public sector; (2) duration of use of the mark; (3) duration, degree, and geographical scope of any publicity for the mark; (4) history of protection of the mark as a well-known trademark; and (5) other factors contributing to the reputation of the mark.¹⁹³ To prove these elements, Article 5 of the Judicial Interpretation requires that the following evidence be submitted: the market share; geographical area of sales; profits and taxes of the goods bearing the mark; duration of use; the manner, duration of time, degree, monetary investment, and geographical range of any publicity or sales promotion of the mark; any record of the mark being protected as a well-known mark; and goodwill and reputation of the mark.¹⁹⁴

Compared with the factors considered by the E.U. and U.S. courts in determining fame and reputation, the major difference is that Chinese courts also consider the history of protection of the mark as a well-known trademark.¹⁹⁵ This means that if the mark has been recently recognized by other jurisdictions as well-known, the Chinese court may simply adopt the reasoning and the conclusion of such jurisdictions unless it is convinced that there has been a change of circumstances over time since the last determination.¹⁹⁶

3. Prohibited Dilutive Acts

In the United States and E.U., there is a separate requirement of showing a mental association or link between the two marks, although different standards are employed in the two jurisdictions. In China, the law does not explicitly state such a requirement. But the courts in practice require proof that such an association between the two marks

191. Linda Chang & Elliot Papageorgiou, *Three Ways to Rescue the Trademark Law*, CHINA L. & AND PRAC. (2012).

192. *Id.*

193. Trademark Law of the People's Republic of China, *supra* note 181, art. 14.

194. Judicial Interpretation, *supra* note 184, art. 5.

195. *See* Chen, *supra* note 189, at 30.

196. *Id.*

exists that may be detrimental to the distinctiveness or cause tarnishment of reputation.¹⁹⁷

The prohibited acts of trademark dilution in China are narrower than they are in the United States and the E.U. In China, while proof of the “public being misled” is enough to prove the dilution of a registered well-known mark, the “public’s confusion as to the origin of the goods” has to be further proven for unregistered well-known marks.¹⁹⁸ By contrast, confusion is not a prerequisite in the U.S. law of anti-dilution. This difference could be attributed to the fact that the prohibited dilutive acts in China are based on an extension from the anti-confusion doctrine where protection of the well-known marks is expanded from identical and similar goods to dissimilar goods. However, in the United States, a separate anti-dilution doctrine was designed to focus on dissimilar goods or services in the first place.¹⁹⁹ Therefore, as a whole, while China provides limited protection to a larger number of well-known marks than the United States does, the United States affords wider scope of protection to a much smaller number of well-known marks, owing to its more flexible threshold to recognize well-known marks.²⁰⁰

As for proof of degree of dilution, a likelihood of dilution is sufficient in China²⁰¹ when compared to the E.U., where actual damage, namely a change of economic behavior of customers, is required.²⁰² In light of that, owners of well-known luxury brands bear a lighter burden of proof in proving dilution in China.

4. Dilution Doctrine in Action

Despite the lack of a formal recognition of the anti-dilution doctrine in the Chinese Trademark Law, a survey conducted to review the 100 latest trademark decisions in China (as of 2009) showed that thirty-one of them referred specifically to “dilution.”²⁰³ The decision in *Kodak v. Keda* demonstrates how the court recognized Kodak as a well-known mark and ruled in favor of Kodak by holding that Keda’s usage of the word “Kodak” would erode the distinctiveness and be detrimental to

197. Liu, *supra* note 183, at 10.

198. *Id.*

199. *Id.*

200. *Id.*

201. Liu, *supra* note 183, at 11.

202. See *supra* text accompanying notes 138-39.8

203. Luckie Hong, *China’s Dilution of the Dilution Doctrine*, WORLD TRADEMARK REV., 24, 27, April/May 2009.9

the Kodak mark.²⁰⁴ Some practitioners believe that this decision implies that the court is more inclined to apply the anti-dilution doctrine when foreign marks are involved.²⁰⁵ Others believe that, in spite of this decision, foreign companies still encounter difficulty in obtaining well-known status for their marks due to the fact that their marks are required to be registered in Chinese.²⁰⁶ In any event, in the absence of an independent doctrine for anti-dilution protection, companies should rely on the confusion doctrine as their main cause of action to convince the court to find for infringement, and a dilution claim could merely add weight but not stand alone as a cause. For example, when Ferrari litigated against a Chinese clothing company's attempt to register the prancing horse logo on its clothing products, Ferrari relied on the confusion doctrine, arguing that the registration may cause likelihood of confusion and therefore the registration should be invalidated. Ferrari asserted that the prancing horse logo it used on cars should be recognized as a well-known trademark, but it did not claim that the registration of the prancing horse logo by the Chinese company for clothes would cause dilution of its logo.²⁰⁷

The large number of well-known marks recognized in China causes another problem. An informal poll suggested that some well-known marks recognized through the administrative process are not really well known in the marketplace.²⁰⁸ For instance, "Wu-Mu," "Unique," and "Qingsen" are marks on clothing sold at the retail level but are not yet familiar to local Chinese citizens.²⁰⁹ On the judicial side, it is alarming that courts in less developed areas recognized more marks as well-known than in big cities such as Beijing and Shanghai.²¹⁰ This casts doubts on whether such status has been properly prescribed. Moreover, once a mark is recognized as well-known, its status is applicable throughout the entire country without time limit.²¹¹ Indeed, officials

204. Eastman Kodak Corp. v. Suzhou Keda Hydraulic Elevators Co., Ltd., Jiangsu Province Suzhou City Intermediate People's Court's Civil Judgment, No. Suzhongminsanchuzi 0213/2005 (2006).

205. Hong, *supra* note 203, at 28.

206. Patricia Marquez, *Trademark: A Comparative Look at the China and the United States*, 14 *TOURO INT'L L. REV.* 334, 351 (2011).

207. See Jing Luo & Shubha Ghosh, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, 7 *NW. J. TECH. & INTELL. PROP.* 119, 141-47 (2009).

208. Chen, *supra* note 189, at 39.

209. *Id.*

210. *Id.* at 40.

211. Tao Xinliang: *Woguo Chimin Shangbiao Rending Yu Baohu De Xianzhuang Fenxi Jiqi Falv Guizhi* (Analysis of Existing Situations and Legal Regulation on China's Well-known

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are motivated to recognize more well-known marks due to the political environment in China. As the performance of local governments is evaluated on the basis of how successfully they assisted the enterprises to develop their trademarks,²¹² it is no surprise that they employ a lax standard even when such marks are not qualified.

The third problem is associated with the Chinese brand names that luxury companies use when they merchandize in China. When foreign companies enter the Chinese market, they usually come up with Chinese names for their brands for marketing purposes. Recently, Hermès, an ultra-luxury product maker, encountered a big problem with their brand protection in China. A Chinese court ruled that the Chinese name for Hermès was not a well-known trademark in China on the grounds that Hermès lacked promotional activities to increase its fame in China.²¹³ Because the well-known trademark status determines whether a trademark deserves anti-dilution protection, foreign companies may encounter difficulty protecting the Chinese version of their trademarks against dilutive uses.

V. CONCLUSION

This Article has identified the major problems associated with the anti-dilution protection system governed by international trademark law mainly from the luxury goods industry perspective. The challenges that luxury companies face in the global protection of their brands will also loom large for other industries when they market their products or services globally. High-profile dilution cases in the United States and E.U. have been litigated by companies from other industries, including financial service providers,²¹⁴ coffee makers,²¹⁵ and computer chip makers.²¹⁶

Mark Recognition and Protection), *available at* http://article.chinalawinfo.com/Article_Detail.asp?ArticleID=68740.

212. Guowuyuan Guanyu Yinfa Zhishichanquan Zhanlve Gangyao De Tongzhi [Circular of the State Council on Issuing the Outline of National Intellectual Property Strategy] (promulgated by the State Council, June 5, 2008, effective June 5, 2008). Issued by the State Council, it is a general guideline on China's further development of intellectual property right.

213. *See France's Hermes Loses China Trademark Fight*, REUTERS (Feb. 26, 2012), www.reuters.com/article/2012/02/27/hermes-china-idUSL4E8DR01820120227.

214. *See, e.g.*, *Visa Int'l Serv. Ass'n v. JSL Corp.*, 610 F.3d 1088 (9th Cir. 2010).

215. *See, e.g.*, *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d, 114 (2d Cir. 2009).

216. *See, e.g.*, C-252/07, *Intel Corp. Inc. v. CPM United Kingdom Ltd* C-252/07 2008 E.C.R.I-8823.

Therefore, it is high time to consider how anti-dilution protection should be developed globally. There are different approaches to consider. The first path might be to amend the TRIPS Agreement to include an explicit requirement about anti-dilution protection.²¹⁷ In this respect, the WIPO Recommendation's provision could be a template that the amendment could build on.

Second, if decision-makers do not decide to amend the TRIPS Agreement, they might instead choose to apply an expansive national standard to link the fragmented domestic anti-dilution laws together. Under an expansive application of the national standard, if the United States provides high anti-dilution protection for its domestic brands, it must also provide the same protection to foreign brands.

Third, decisions-makers must consider the limitations that should be carved out in anti-dilution protection. Overzealous trademark protection would jeopardize freedom of expression and impede healthy market competition.²¹⁸ This issue has become more acute than ever. Recent years have seen formidable power amassed by the rapidly expanding luxury companies,²¹⁹ which have not only overshadowed the fashion sector²²⁰ but have also threatened free speech²²¹ and humanitarian²²² initiatives. In this context, further research is needed

217. See Tara D. Rose, *The High Price of Fame Deserves a Discount: A Call for Uniform Dilution Law in North America for the Protection of Well Known Trademarks*, 14 SW. J. OF L. & TRADE IN AM. 195, 197 (2007) ("Protection from trademark dilution is an important international concern requiring uniform protection. Uniform protection will create an incentive for manufacturers to produce quality products, resulting in accurate reputations on which the public can depend.").

218. See, e.g., Laura R. Bradford, *Emotion, Dilution, and the Trademark Consumer*, 23 BERKELEY J. L. & TECH. 1227, 1230 (2008) ("[O]verly strict protection of mark familiarity through the law of trademark dilution can burden competitors who signal product quality and reliability."); Jesse A. Hofrichter, *Tool of the Trademark: Brand Criticism and Free Speech Problems with the Federal Trademark Dilution Revision Act of 2006*, 28 CARDOZO L. REV. 1923, 1926 (2007) (dilution law "may prove ineffective in application, and [] the exceptions will not adequately shield all protected speech from threats of litigation, resulting in a "chilling effect" on speech").

219. With a series of high-profile mergers and acquisitions, the luxury industry has three major global conglomerates. They are Kering, Louis Vuitton Moët Hennessy (LVMH), and Compagnie Financière Richemont SA (Richemont).

220. For example, LVMH was imposed a €8 million fine by the French stock market regulator for the "seriousness of the successive breaches of public disclosure requirements, which consisted in concealing each stage of LVMH's stake building in Hermès." Scheherazade Daneshkhu, *Luxury: Object of Desire* (July 8, 2013), available at www.ft.com/intl/cms/s/2/bc275cea-e7ae-11e2-9aad-00144feabdc0.html#axzz2csGDaKCb.

221. See, e.g., *Louis Vuitton Malletier S.A. v. Warner Bros. Entm't Inc.*, 868 F. Supp. 2d 172 (S.D.N.Y. 2012); *L'Oréal SA v. Bellure NV*, [2010] EWCA (Civ) 535, [9]-[13] (Eng.).

222. See, e.g., Benjamin Sutton, *Artist Wins Copyright Case Brought By Louis Vuitton*, THE L MAG. (May 6, 2011), www.thelmagazine.com/TheMeasure/archives/2011/05/06/artist-wins-copyright

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to ascertain the appropriate level of anti-dilution law in protecting brands. Commentators have pointed out that contemporary anti-dilution protection may have become too stringent in ways that have stifled freedom of expression and legitimate market competition.²²³

Indeed, global anti-dilution protection involves a host of complicated issues. In a market-oriented economy, branding-based strategies are crucial for companies to fare well in the marketplace. Globalization has made global branding strategies as well as global brand protection critically important for multinational companies. From this perspective, reforming the global anti-dilution system will have far-reaching impact on the economic and cultural vibrancy of different industries.

case-brought-by-louis-vuitton; *Parody or Trademark Infringement?: Louis Vuitton v. Penn Law*, TRADE-MARKS & BRANDS (Mar. 12, 2012), www.trademarksandbrands.com/2012/03/12/parody-or-trademark-infringement-louis-vuitton-v-penn-law/.

223. See Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507, 510 (2008) (“Revamping dilution to map it onto the psychologically based mental-search-costs theory would require us to suppress a lot of what is conventionally understood to be free speech.”); Mary LaFrance, *No Reason to Live: Dilution Laws as Unconstitutional Restrictions on Commercial Speech*, 58 S.C. L. REV. 709, 711 (2007).