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Protection against the Dilution of a Trademark (Q 214)

REPORT OF SWISS GROUP*

I. Analysis of current law and case law

1. Do the laws of your country provide for protection against dilution of a trademark? If so, which laws?

Swiss law provides for protection against dilution of famous trademarks in Art. 15 para. 1 of the Swiss Trademark Act (MSchG).

According to the doctrine, Art. 3 let. e and Art. 2 of the Swiss Act against Unfair Competition (UWG) may also provide a certain protection of trademarks against dilution. However, this protection is not specified by legislation or case law and is only of a very limited importance.

2. Is there a legal definition of dilution in your legislation or case law?

There is no legal definition of dilution in Swiss legislation or case law.

3.a) Which trademarks are afforded protection against dilution? What are the eligibility criteria? (Please list the eligibility criteria only briefly here; more detailed explanations will be required below).

Under the MSchG, only famous trademarks are eligible for protection against dilution. The criteria under which a trademark is afforded protection under the UWG have never been clearly defined and remain unclear. Therefore, dilution protection under the UWG will not be addressed any further herein.

b) To be eligible for protection against dilution, does a mark need to be distinctive? If so, does the protection depend upon the mark being inherently distinctive or are marks that have acquired distinctiveness through use also protected?

Yes, to be eligible for protection against dilution a mark needs to be distinctive. However, no inherent distinctiveness is required. Marks that have acquired distinctiveness through use may also enjoy protection against dilution.

c) aa) To be eligible for protection against dilution, does a mark need to have a reputation or be well-known or famous? If so, when does a mark have a reputation, when is it well-known or when is it famous? Are the factors mentioned in paragraph 15 and 22 above relevant for determining whether a mark has a reputation, is well-known or famous?

Only famous trademarks are eligible for protection against dilution under the MSchG. According to case law and doctrine, the characteristics of a famous trademark are its (1) outstanding recognition, (2) uniqueness and (3) general reputation (Wertschätzung).

The essential feature of a famous trademark is its outstanding recognition. The better a trademark is known, the less is required in respect to its uniqueness and general reputation. Trademarks with a low degree of general recognition may only enjoy protection as a famous trademark if they are particularly unique and have an outstanding reputation.

As regards the feature of uniqueness, it is not required that the mark is absolutely unique. The requirement can still be met if some similar marks exist. However, trademarks similar to many other marks lack the required uniqueness.

A trademark has a general reputation if it has a particular standing or attractiveness; it must create positive associations that are as such amenable to exploitation. The general reputation can, but does not have to be based on the quality of the products for which the mark is used.

The factors mentioned in paragraph 15 and 22 can be relevant for determining whether a trademark has the required recognition and/or general reputation to qualify as a famous trademark. However, none of the criteria or the lack thereof is as such decisive. In particular, no minimum sales volume requirement exists, though a high sales volume may be an indication for the fame of a trademark.

For what point in time does this have to be assessed?

The trademark has to be regarded as famous at the time when the later mark enters the market. According to Art. 15 para. 2 MSchG, rights in another trademark acquired before the trademark became famous remain unaffected by the protection afforded to the famous trademark.

bb) For a mark to have a reputation or to be considered well-known or famous, must it meet a certain knowledge or recognition level? If so, what is the threshold? What percentage of population awareness is required?

It has not yet been clearly defined what degree of recognition is required. Part of the doctrine declines a concept of defined thresholds; other scholars require recognition degrees somewhere between 30–70%.

The Swiss Federal Supreme Court denied the required fame of a trademark known by 46% of the total population of Switzerland (BGer, sic! 2005, 201 et seq., “Riesen”). With regard to notorious marks pursuant to Art. 6bis of the Paris Convention (PC), the Swiss Federal Supreme Court requires a recognition threshold of at least 50% (BGE 130 III 267, 283, “Tripp Trapp III”), and there is an argument that the threshold for fame needs to be higher than the one for notoriety under Art. 6bis PC. A degree of recognition of two-third or more is likely to suffice in any event. Trademarks with a lower degree of recognition will only qualify as famous if they are particularly unique and/or have a strong reputation.

How widespread must the awareness be across the country?

The recognition must exist in the entire territory of Switzerland.

If a mark is well-known or famous in one country, what effect, if any, does this have with regard to other countries?

The recognition of the mark abroad is only relevant if it also has an effect on its recognition in Switzerland, e.g. due to advertisement spill-over effects.

cc) What is the relevant population in determining the knowledge, recognition or fame of the mark, the general public at large or the relevant sector of public? Is recognition or fame in a limited product market (“niche market”) sufficient?

The mark must be recognised by the general public at large. Recognition of the mark only by the relevant sector of public does not suffice. If the mark is only recognized in a specific sector, no risk for dilution of the mark arises out of the use of the same or a similar mark for goods or services offered to another sector of public. Recognition in a niche market is therefore not sufficient.

d) To be eligible for protection against dilution, is it required that the mark has been used, that the mark has been registered or that an application for registration of the mark has been filed in the country where protection is being sought?

Since also trademarks that are notorious in the meaning of Art. 6bis PC may be protected as famous trademarks under Art. 15 MSchG, and, theoretically, even trademarks which have never been used in Switzerland may qualify as notorious in the meaning of Art. 6bis PC, neither registration nor use of the trademark in Switzerland is a mandatory legal requirement for the protection against dilution under the MSchG. However, in practice only trademarks registered or at least used in Switzerland are likely to be granted protection as famous trademarks and thereby against dilution.

e) Are there any other criteria a mark must comply with to be eligible for protection against dilution?

No.

f) Is eligibility for protection against dilution a matter of law or an issue of fact? Who bears the burden of proof regarding the eligibility criteria?

The qualification of a trademark as a famous trademark is a matter of law. However, whether the features of fame (outstanding recognition, uniqueness and general reputation) are fulfilled is an issue of fact which has to be proved. The party relying on the fame of a mark bears the burden of proof.

How does one prove that a mark meets the eligibility criteria? Are sales and advertising figures sufficient or is survey evidence required?

Demoscopic surveys can be used, but are not necessary to prove that a mark meets the eligibility criteria. The parameters of the fame of a mark can also be proved with sales and advertising figures, by demonstrating duration and intensity of the use of the mark.

Which evidential standard must this proof satisfy?

The deciding authority must be certain that the parameters of fame are fulfilled. No absolute certainty is required; however, the evidence must exclude any reasonable doubt.

g) Is there any registry of eligible marks in your country? If so, what is the evidentiary value of registration? Can it be challenged in litigation?

No.

4. Does your law require the existence of a “mental association” or “link” between the earlier trademark and the later trademark? If so, in which circumstances does a “mental association” or “link” between the earlier trademark and the later trademark exist? Are the factors mentioned in paragraph 27 and 28 above relevant for assessing the existence of such a “mental association” or “link”? Are there other factors to take into account? Is the assessment of a link a question of fact (and therefore something that can be established by market surveys), or is it a question of law to be established by the courts or authorities on the basis of such factors?

The wording of Art. 15 para. 1 MSchG does not require a “mental association” or “link” between the earlier and the later trademark. However, these requirements are (1) covered by the required similarity between the famous trademark and the later mark and (2) taken into account when assessing whether there is any dilution.

(1) In general opinion, protection of famous trademarks is not limited to identical marks. In legal literature, it is in part pointed out that exploitation or detriment of reputation or dilution is basically found only where there is a clear similarity between the marks. According to other authors, the scope of protection of famous trademarks can exceed that of “normal” registered trademarks. In the working group’s view, aspects like the degree of distinctiveness and of the similarity of the goods and services in question (as mentioned in paragraph 27 and 28) have to be taken into account as well. The more distinctive an earlier trademark is and the closer the goods/services of the parties are, the more the later mark has to be different from the famous trademark.

(2) The specific requirements of dilution are – due to lack of case law – not clear. In legal literature, it is disputed whether and to what extent an association between the famous trademark and the later mark is needed. According to some authors, any association would lead to dilution. Other commentators require a behavior infringing the principle of good faith or higher demands particularly on the recognition of the famous trademark in the market. The Swiss Federal Supreme Court referred in the “Maggi” case (BGer, sic! 2005, 392) to a “mental association”, without dealing with this question in more detail.

The assessment of a “mental association” or “link” is a question of law.

5. Does such “mental association” or “link” between the earlier trademark and the later trademark automatically result in detriment to the earlier trademark’s repute or distinctive character? Or does detriment have to be proved over and above the existence of a “mental association” or “link”?

A “mental association” or “link” does not automatically result in detriment to the famous trademark’s repute or distinctive character but might be taken into account by assessing detriment. A Swiss Court would probably deny any detriment of repute or distinctive character if there is no “link” between the trademarks in question at all.

6. Are the same factors taken into consideration to assess the existence of detriment as those already discussed for the link? Are there additional ones?

Neither the courts nor the doctrine have defined additional factors to those discussed at 4 above.

7. Must actual dilution be proved or is a showing of likelihood of dilution sufficient? Whose burden of proof is it? How does one prove dilution or likelihood of dilution?

No actual dilution needs to be proved; showing of a likelihood of dilution suffices.

Dilution is a question of law and cannot be proved. Nonetheless, any fact that demonstrates that likelihood of dilution is possible may be used as an argument.

Such facts can be the extent of actual recognition of the earlier trademark, the extent of the similarity of the trademarks and the degree of distinctiveness of the earlier trademark, the nature and (dis)similarity of the respective goods and services or the relations between the respective channels of trade.

Does detriment require evidence of a change in the economic behavior of the average consumer or that such change in behavior is likely? If so, what is a change in the economic behavior of the average consumer? Is reduced willingness to buy goods sold under the earlier mark a change in the economic behavior? How do you prove a change in the economic behavior of the average consumer or likelihood of such change in behavior?

Neither proof of any change in the economic behavior nor proof of any other detriment is required. Nonetheless, such proof would be a helpful argument and it can be concluded (there is no case law) that the change in the economic behavior of the consumers (e.g. a survey showing the reduced willingness to buy goods sold under the earlier mark) would be recognized as such proof.

8. What is the extent of protection afforded to marks which are eligible for dilution protection? May the owner of the earlier trademark object

- to the registration of a later trademark?
- to the actual use of a later trademark?
- in respect of dissimilar goods only or also in respect of similar goods?

The owner of the earlier trademark is entitled to object to the registration and use of a later trademark by filing a civil action of any type (action for declaratory judgment [cancellation action], action for assignment of a trademark, action for execution [action for an injunction], preliminary injunction) irrespective of whether the goods and services are similar or not. In contrast to that, the opposition proceeding with the trademark office is not available because an argument regarding dilution will not be heard.

9. What are the legal remedies? May the owner of the earlier trademark file an opposition and/or a cancellation action?

The owner of the earlier trademark is entitled to file a cancellation action (and any other civil action, including an action for recovery), but not an opposition (see above at 8). If the dilution claim is based

on Art. 3 lit. e of the Act against Unfair Competition (UWG), the owner of the earlier trademark may additionally request criminal prosecution (Art. 23 UWG).

May he ask for injunctive relief or preliminary injunctive relief?

Yes, the owner of the earlier trademark is also entitled to ask for injunctive and preliminary injunctive relief.

Does your trademark office refuse the registration of a later trademark on grounds of likelihood of dilution?

No.

II. Proposals for adoption of uniform rules

1. Which trademarks should be eligible for protection against dilution? What should the eligibility criteria be? Should recognition or fame in a limited product market (“niche market”) be sufficient?

The working group is of the view that only famous trademarks should be eligible for protection against dilution. The mark should have an outstanding recognition, a general reputation and be unique. Fame in a niche product market should not suffice, otherwise there is no risk for dilution of the mark, as has been outlined at I.3.c)cc) above.

2. Should it be a criteria for being eligible for dilution protection that the mark has been used, or that the mark has been registered or that an application for registration of the mark has been filed in the country?

Trademarks should be eligible to dilution protection under the same formal requirements as they are amenable to protection against confusingly similar trademarks. Thus, considering the protection of notorious trademarks in the meaning of Art. 6bis PC, neither registration nor use should be a requirement of protection against dilution.

3. Should there be a registry of eligible marks? If so, what should the evidentiary value of registration be? Should it be possible to challenge it in litigation?

No, the working group has difficulties to imagine how such a register would simplify the protection of a mark against dilution as the fame of a mark is subject to change.

4. Should the existence of a “mental association” or “link” between the earlier trademark and the later trademark be an independent requirement for a trademark dilution claim?

The existence of a “mental association” or “link” should be a requirement for a trademark dilution claim.

5. Should detriment to the distinctive character or reputation of the earlier mark require evidence of a change in the economic behavior of the average consumer or that such change in behavior is likely?

No evidence of a change in the economic behavior of the average consumer should be required, since such requirement would delay and eventually defeat effective protection against dilution. Showing that any such change may occur as a result of dilution should suffice.

6. What should the remedies be for dilution of a mark?

The remedies for dilution of a mark should include injunctive relief and cancellation of the later trademark.

Summary

Swiss law provides for protection against dilution with regard to famous trademarks only. The characteristics of a famous trademark are its (1) outstanding recognition, (2) uniqueness and (3) general reputation. These characteristics correlate with each other, however, the essential feature of a famous trademark is its outstanding recognition. It has not yet been clearly defined what recognition threshold is required, although a degree of recognition of two-thirds or more in the total Swiss population is likely to suffice.

There is no legal definition of dilution and it is unclear to what extent a "mental association" or a "link" between the famous trademark and the later trademark is required. At any rate, a "mental association" or a "link" does not automatically result in detriment to the famous trademark; such detriment has to be proved.

Both qualification of a mark as famous and dilution are a matter of law.

In the Swiss working group's view, there is no need for a general protection of trademarks against dilution. Such protection should be limited to famous trademarks only and a "mental association" or "link" between the famous trademark and the later trademark should be required.

Zusammenfassung

Das Schweizer Recht bietet nur berühmten Marken einen Schutz gegen Verwässerung resp. gegen die Gefährdung der Unterscheidungskraft. Die Charakteristika einer berühmten Marke sind deren (1) überragende Verkehrsgeltung, (2) Einmaligkeit und (3) allgemeine Wertschätzung. Zwischen diesen Parametern besteht eine Wechselwirkung. Die überragende Verkehrsgeltung ist aber das wichtigste Charakteristikum einer berühmten Marke. Zwar wurde bis jetzt noch nicht eindeutig geklärt, welcher Bekanntheitsgrad hierfür erforderlich ist. Ein Bekanntheitsgrad in der schweizerischen Bevölkerung von zwei Dritteln oder mehr sollte aber ausreichen.

Es besteht keine rechtliche Definition des Tatbestands der Verwässerung/Gefährdung der Unterscheidungskraft und es ist unklar, was für eine «gedankliche Verbindung» oder «Verknüpfung» zwischen der berühmten und der jüngeren Marke vorausgesetzt wird. In jedem Fall führt das Vorliegen einer «gedanklichen Verbindung» oder «Verknüpfung» nicht automatisch zu einer Gefährdung der Unterscheidungskraft der berühmten Marke; dass eine solche Gefährdung vorliegt, muss bewiesen werden.

Sowohl die Qualifikation einer Marke als berühmte Marke als auch das Vorliegen einer Verwässerung/Gefährdung der Unterscheidungskraft sind Rechtsfragen.

Die Schweizer Arbeitsgruppe ist der Ansicht, dass ein genereller Schutz gegen Verwässerung einer Marke nicht notwendig ist. Ein solcher Schutz soll auf berühmte Marken beschränkt sein. Zudem soll das Vorliegen einer «gedanklichen Verbindung» bzw. «Verknüpfung» zwischen der berühmten und der jüngeren Marke vorausgesetzt werden.

Résumé

Le droit suisse ne contient des règles protégeant contre le risque de dilution que pour les marques de haute renommée. Les caractéristiques d'une marque de haute renommée sont (1) sa reconnaissance exceptionnelle, (2) son caractère unique et (3) sa réputation en général. Ces caractéristiques sont liées entre elles; cela étant, l'aspect essentiel d'une marque de haute renommée est sa reconnaissance exceptionnelle dans le public. Le niveau de reconnaissance requis n'a pas encore été clairement défini mais il est probable qu'un degré de reconnaissance de deux tiers ou plus dans la population suisse totale devrait suffire.

Il n'y a pas de définition légale de la dilution et il n'est pas clair dans quelle ampleur une «association mentale» ou un «lien» entre la marque de haute renommée et l'autre marque est exigée. En tous les

cas, une «association mentale» ou un «lien» n'a pas pour effet de causer automatiquement un préjudice à la marque de haute renommée; ce préjudice doit être prouvé.

Tant la qualification d'une marque comme marque de haute renommée et que celle de la dilution sont des questions de droit.

De l'avis du groupe suisse, il n'est pas nécessaire de prévoir une protection générale des marques contre le risque de dilution. Une telle protection devrait être limitée aux marques de haute renommée uniquement et une «association mentale» ou un «lien» entre la marque de haute renommée et l'autre marque devrait être exigée.

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