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THE EFFECT OF TRADEMARK DILUTION: A COMPARATIVE ANALYSIS OF THE ISSUES IN INDIA AND USA

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ABSTRACT:

" Gucci is not a Fashion house or a Design house, it was always a Trademark" - Maurizio Gucci

" Trademark dilution" refers to an event in which a junior mark tarnished the reputation of an already existing senior mark that is substantially similar by associating itself with something perverse . Anti-dilution measures typically guard well-known brands against two main types of damage : the "blurring" of a mark through a weakening of its relationship with the original product, and the "tarnishing" of a mark through the formation of unfavorable connotations withit. Due to the dilution, it will no longer be protected as a mark and lose significance to consumersas a source of origin. The key issue with the dilution law is that it provides a remedy without a verifiable theory of the harm or damage. Even if the notion of dilution has recently gained recognition on both an international and domestic level, domestic jurisdictions still bear a significant amount of responsibility for protecting trademarks from dilution. This paper analyzes the notion of dilution from various perspectives in various jurisdictions. The researcher has used various articles, journals, and judgments to substantiate how the courts understand the dilution rule and elaborates on the idea with illustrations from significant U.S. legal judgements. The wayforward will be to draw out a comparative analysis of the effectiveness of the legal framework present in India with that of the USA to understand the concept of trademark dilution affecting Brand Equity.

KEYWORDS: Trademark Dilution, Anti- Dilution, Blurring, Tarnishing, Consumers, Brand Equity.

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1.INTRODUCTION:

It is very well known that Trademarks have been used centuries now even before there was a lawto govern them. The World Intellectual Property Organization (WIPO) defines a trademark as " asign capable of distinguishing the goods or services of one enterprise from those of otherenterprises." Consequently, a trademark is a distinctive image, slogan, sign, logo, mark, or phraselinked to a particular good for sale in order to distinguish it from commodities sold or created by others. Once the rights are granted, the marks become his property, giving him the ability to legally prosecute any infringers using the mark without his consent or permission. [1]

Hence the protection of any trademark becomes very important to any brand especially big brands as their trademark serves as their identity and their goodwill is attached to it. Hence whenever there is any infringement of the trademark of a very well known brand then it's known as 'trademark dilution' under law. Trademark dilution is a type of trademark infringement when the owner of a well-known mark has the authority to forbid others from using it on the grounds that doing so will likely damage the mark's goodwill, reputation, or distinctiveness. The doctrine of dilution is however a departure from traditional trademark law. The goal of dilution law, onthe other hand, is to prevent the value of well-known or well-known marks from being diminished as a result of third parties using the mark. The fundamental tenet of dilution law is that illegal third-party use of a well-known mark, even if it does not lead to consumer confusion, can still negatively impact the mark's goodwill and selling power since it loses its association with a single source. [2]

2. HISTORY AND EVOLUTION OF THE DOCTRINE OF DILUTION:

A trademark becomes the identity of a producer. When such identity becomes global and gains universal recognition it becomes a brand and falls under the category of well known marks. When a famous or a well-known mark is infringed it causes dilution of such mark. Dilution is when one famous mark is infringed it loses its exclusivity. This causes erosion of the mark and it

[1] Brajendu Bhaskar, "Trademarks Dilution Doctrine: The Scenario Post TRDA, 2005*"* 1 *NUJS L. Rev*. 640 (2008)

[2] T.G. Agitha, "Trademark Dilution: Indian Approach" 50(3) *JILI* 341 (2008)

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exhausts its stand-alone quality and its ability to be recognized clearly from a crowd of trademarks present in the global market. Before the Trademarks Act 1999 was passed, the Trade and Merchandise Marks Act of 1958, which governed the law of trademarks, did not contain the necessary provisions to address the problem of dilution, leaving Indian courts with a huge burdento analyze and incorporate the problem of dilution within the trademark legal system.[3] However, even though the Trademark legislation didn't contain a dilution rule, courts still applied the theory to decide cases. ***Daimler Benz Aktiengesellschaft v. Hybo Hindustan*** [4] is one of the mostwell-known cases of trademark dilution before the 1999 Act.

The defendant was using the mark BENZ combined with a "three pointed human being in a ring"on undergarments in this case. Ignoring the defendant's defense of honest concurrent usage, the High Court of Delhi awarded an injunction to the plaintiff, observing that replication of a mark such as MERCEDES BENZ by anyone, even the defendant, would result in a violation of Indian trademark law. This was the first decision by an Indian court to address the issue of dilution of well-known marks. However the 1999 Act introduced the concept of dilution in the Trademark law.

As per the doctrine Trademark Dilution , in order to establish the dilution of a trademark, the onus is on the plaintiff to prove that (1) the infringer has used the junior mark which is significantly similar to the well-known mark in order to insinuate or establish a relationship between the well-known brand and the infringer's brand and (2) has caused economic harm to the well-known mark's value by diminishing its value.

Section 29(4) of the Trade Marks Act, 1999 deals with trademark dilution. The likelihood test does not confer any distinction solely on "DILUTION" nor does it specifically incorporate to enforce anything that is envisaged in Section 29(4).

Section 29(1)(2) specifies that the infringement of Trade Mark occurs only when the impugned mark is deceptively similar or identical to the registered trademark. Hence the importance is

[3] Latha R. Nair, "TRACKING THE PROTECTION OF WELL- KNOWN MARKS IN INDIA: A BEFUDDLED PATH TO NIRVANA?" 101 *TMR* 1419 (2011)

[4] Daimler Benz Aktiengesellschaft v. Hybo Hindustan, AIR 1994 Del. 239

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placed on the "similarity of the mark" whereas Sec 29(4) posits similarity in goods that are not related to each other.

Thus, "Dilution" form of infringement under Section 29(4) is a wider trademark protection without as it is in respect of dissimilar or unrelated goods and services.The plaintiff has to establish, under Section 29 (4) apart from the similarity of the two marks or the similarity

(i) Has a reputation in India;
(ii) The use of the mark without due cause
(iii) The use amounts to taking unfair advantage of or is detrimental to, the distinctive characteror reputation of the registered trademark.

Although dilution is not specifically mentioned in the statute, it is mirrored by a similar ground for violation in Section 10(3) of the Trade Marks Act of 1994 of the United Kingdom. [5]

3. TYPES OF TRADEMARK DILUTION:

Dilution follows two main categories of infringement that is dilution by blurring of the reputed mark and tarnishment of the same. Both contribute to the subsiding of the mark and take away the peculiarity of the well-known mark. Even though both of them fall under the category of dilution, there is dissimilarity between the two concepts.

Dilution by Blurring: Blurring occurs when a third party's mark makes it harder for consumers to relate a well-known mark to the plaintiff's goods or services, or when a well-known mark's distinctiveness has been compromised because it has become or is likely to become associated with a similar mark or trade name. This concept can be understood by using the mark "DELL" which is associated with Laptops. In cases where the famous mark "DELL" is being associated with goods that are not in competition with laptops directly but the use of the same mark to point

[5] Dev Gangjee, "The Polymorphism of Trademark Dilution in India" 17 *Trans. L. & Cont. Prob.* 113 (2008)

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the source of origin of other products than the original one takes away the single association factor of the mark on the products of the original owner. This may not create a dilemma in the minds of the customer but does create a mental link. Now whenever one thinks of DELL it will not just pop the image of laptops but also other products on which such a mark has been associated as a source recognizer.

Dilution by Tarnishment: A mark is said to be tarnished when it is used without authorization by a third party on such products which might create a negative notion in the minds of the consumer about that mark and thereby hurting the repute and status of the mark. [6] In order to establish tarnishment it is important to show that the original mark has been used or applied on products having substandard quality than the products of the original mark or the fact that the mark has been applied on products which may not be considered as dignified or products having objectionable images or notions.

4. EVOLUTION OF DILUTION LAWS IN THE US AND INDIA:

By the year 1920, there was a major shift in the then existing trademark law and also detection of a gap in the protection of trademark under the law in the U.S. It was first after the "Eastman Company Kodak Case" [7] In England, a considerable change was observed in the conventional concept of trademark protection available in the United States. In this case Kodak Cycle Company was successfully prohibited from using the mark 'KODAK' on their cycles on the basis of the suit filed by Eastman Company who were manufacturers of Kodak cameras. An analysis of the judgment gives a clear understanding that the Court was of the opinion that confusion can occur even in absence of express competition of commodities. In reality the court was not explaining deception or confusion. It rather highlighted the importance and distinctive nature of the KODAK mark and how it should be protected to maintain its uniqueness. But in

[6] Britt N. Lovejoy, 'Tarnishing the Dilution by Tarnishment Cause of Action: Starbucks Corp. v. Wolfe's Borough Coffee, Inc. and V Secret Catalogue, Inc. v. Moseley, Compared', Berkeley Tech. Law Journal p. 619, volume 26:1, 2011, p. 623.

[7] Eastman Photographic Materials Co Ltd v John Griffith S Cycle Corporation Ltd and Kodak Cycle Co Ltd

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declaring such judgment the Court phrased it in a manner so as to remain consistent with the direct competition principle in respect to goods.

In another similar instance "Wall V. Rolls-RoyceThe Third Circuit Court of Appeals regulated that infringement principle was not only restricted to similar or competing goods.In this case, theMark ROLLS ROYCE was used on radio tubes. The court in order to justify infringement widened the scope of reason and clubbed radio tubes and automobiles as directly contending commodities on the basis of the fact electricity was an important element in case of automobiles and airplanes and one could assume that the company have extended its range of product to new electric using radio tubes. This was an attempt of the Court in applying traditional infringement principle to unconventional problems which made the element 'fame' a basis of dilution.

Under the Federal Trademark Dilution Act (FTDA), only such marks which were considered famous even before the disputed mark has been used in trade and commerce for the first time were protected.[8] The statute spoke of the famous mark eligibility but it failed to provide clarity on the definition of "famous" and what would be the necessary degree of fame to be considered as famous and be protected under the said anti-dilution statute. The courts in the U.S. were often found to be in conflict with each other since the FTDA was not successful in defining the term "famous" with distinction. In the case of "New York Stock Exchange Inc. V. New York New York Hotel LLC" [9] It was observed that the second circuit was of the opinion that only the markswhich have naturally acquired distinctiveness could afford the protection under FTDA while on the other hand in the case of "Thane Intern., Inc. v. Trek Bicycle Corp." [10] The ninth circuit differed completely from such an opinion and was of the contrasting view.

[8] Federal Trademark Dilution Act, 2006, United States of America, s. 1125(c)(1)

[9] New York Stock Exchange, Inc. v. N.Y., N.Y. Hotel LLC, 2002, 2nd Circuit, 293 F.3d 550

[10] 8 Thane Intern., Inc. v. Trek Bicycle Corp., 2002, 9th Circuit, 305 F.3d 894

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a) Analyzing the scope of Trademark Dilution after the advent of Trademark DilutionRevision Act (TDRA):

Subsequent to the decision in the case of Moseley v. V Secret Catalog, Inc [11]., it was clear that there was an urgent need of modifying the Federal Statute and as a result the Revision Act was codified with the view of providing solutions for the existing gaps. The Trademark Dilution Revision Act 2006 brought some major changes to the Federal Trademark Dilution Act of 1996. Under the TDRA the standard was set much higher for marks to be regarded as "famous". Another development seen under the Revision Act was the recognition and inclusion of marks which have attained distinctiveness rather than being fundamentally distinctive under the scope of the Act including trade dress upon the fulfillment of certain conditions.The new Act has set the fame bar high as it states "extensively known among the common people". An analysis of the term suggests that having a reputation and being acknowledged among the niche trade area is not enough unless and until it is also widely identified among the consumer. It indicates that any company doing business with any organization may be very well-known in that particular industry or commerce sector but it won't meet the standards of fame set by the TDRA unless such company is known to the general public. Marks like 'NIKE' and 'LOUIS VUITTON' were able to meet the fame requirement under the TDRA.

b) Indian scenario:

It was in the case of 'Daimler Benz Aktiengesellschaft v. Hybo Hindustan [12] that for the first timethe defendant was prohibited from using the plaintiffs' mark but the concept of likelihood of confusion or deception was not drawn in the case. Although this was the first case where the court employed the principle of dilution yet the judgment concentrated more on the unfairness ofthe use of the mark if permitted to use and no evaluation of the dilution or related principles was made by the court. Along these lines, unmistakably before the Act of 1999 was instituted, Indian High Courts frequently got themselves perplexed between the ideas of 'weakening' and 'passing off '. The

[11] Moseley v. V Secret Catalogue Inc., 2003, 537 U.S. 418

[12] Daimler Benz v. Hybo Hindustan, Delhi High Court, India, 1994 A.I.R. 239

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principle of dilution was created by our courts, having considered the universally perceived benchmarks about the need to ensure protection for the famous marks whose abuse, in connection to different or non-competing products or services could "dilute" its allure.

For the purpose of grasping how the court declared judgment on the basis of faulty understanding of the dilution theory, it is pertinent to analyze and examine the case of "Hamdard National Foundation v. Abdul Jalil" [13]. In this case the plaintiff 's well-known mark 'HAMDARD' was used by the defendant on Basmati rice, as a result the plaintiff who was the owner of the mark and used it in respect of Unani medicines filed an infringement suit. Here again the court decided the case on faulty understanding and stated that what summed up to trademark infringement in relation to non-competition goods was "likelihood of deception". It is already quite clear and evident that section 29(4) does not need the proof of deceptive resemblance. Reliance was based incorrectly on the definition of "deceptive similarity" given under section 2(1) (h).

c) Comparative overview of US and Indian Dilution laws:

The principle of dilution is applicable to any mark only when the mark is either famous or well-known or has a global reputation. There has been a lot of debate among the scholars regarding the difference between a well-known mark, famous mark and a mark with reputation. Dilution legislation in the USA provides protection against dilution only to famous marks. So fora mark to be protected under the anti-dilution statute it must satisfy the criteria of being famous. But when coming to India it has been observed that most of the times drawing distinction between famous and well-known marks have not been done successfully by the courts in India and generally the application of standard has been the level or standard applied in case of well-known marks.

Under the Trademark Dilution Revision Act of 2006, explicit provisions have been included in respect to fair use principle thereby providing defenses for some acts from the action of dilution. The Indian law differs completely from the dilution laws in the USA in this aspect. The Act on

[13] Hamdard National Foundation v. Abdul Jalil, High Court of Delhi,India,IA 7385/2004 IN CS(OS) 1240/2004

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trademarks in India fails completely to provide any of such exceptions or defenses. Under the present Trademarks Act 1999 there are provisions which expressly state that a "registeredtrademark" is violated by any marketing or promotion of that recorded trademark "if such advertising is detrimental to its distinctive character or is against the reputation of the trademark."[14]

5. EMERGING ISSUES IN THE TRENDS OF TRADEMARK DILUTION:

Trade and commerce have become more globalized, which has given producers more opportunities to market their goods internationally. Eventually, a brand name and global identity are created as a result. It is crucial for the owners in such a situation to be able to prevent unauthorized use of their highly regarded marks by other parties. Such a symbol is distinctive enough to become a global brand that the general public can quickly recognise.

The requirement outlined in the Indian laws and TRIPs agreement does not require the mark to be one that is publicly recognised, even if the idea of dilution is not explicitly referenced in eitherIndian law or international law. The reputation requirement is also less severe than what is required by US law. This is clear from a review of the parts of the Indian Trademark Act and the TRIPS rules that outline the requirements to be satisfied in order for a mark to be recognised as awell-known mark. Both of these actions call for the consent of the relevant social group and the existence of goodwill among them.

The Indian scenario is much more grave because the criteria of recognition among the relevant sector of the society is not very strict and quite liberal as per the definition provided in the Indianlaws. The India legislative along with the WIPO/Paris Union Joint Recommendation, states that territory where the trademark is required to be famous in at least one sector of the public in India by the direction of the court or registrar, then the said mark can be termed to be a well-known mark. These criteria further limit the ambit of recognition of the mark and consequently additionally debilitates the protective measures that are needed to defend the mark under the

[14] The Trademark Act, 1999, India, s. 29(8)(c).

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principles of dilution. The definition of a well-known mark in Section 2(1)(zg) is ambiguous because it doesn't specify what constitutes a well-known mark. The Court can interpret the meaning of the word from a variety of perspectives, which could lead to disagreements. In order to avoid irregularity and vagueness, a suitable rule or determining factor for well-known trademarks is therefore necessary.

6. A WAY FORWARD:

It stated that the new Trademark Act 1999 is a stage forward in prohibiting the weakening yet at the same time the contemporary Indian situation requires for a different lawful sanctioning for counteractive action of weakening and to meet the standard of assurance in the worldwide level. The following suggestions can be put forth and be considered to eradicate the existing challengesand hurdles present in the current scenario and laws and to ensure to make the doctrine of dilution more consistent, dependable and independent form of claim:

- When we read sections 11 and 29(4), it is evident that there is some form of conflict between the two. This is because one discusses well-known brands while the otherfocuses on brands with a solid reputation. The two clauses are in opposition to one another as a result.This results in disparities between the court's judgment and actions since it may introduce unpredictability. It is therefore suggested that the term marks with reputation in Section 29(4) should be replaced with the term “well known” to provide a wider recognition and to provide a broader subject matter of safeguard to such marks which have global status.

- The Section 11 enforcement requirement has been challenged by the well-known marks' ambiguous definition. Despite the fact that Subsections 6, 7, and 9 are used to determine whether a trademark is well-known or not. The rules established by this Act are arbitrary,hence clarification by the Court is necessary. This emphasizes the necessity of a specific deciding factor for well-known markings that might result in exact decisions whileregulating the instance of protection against weakening. Despite their well-known status,

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unregistered stamps are not given any protection under the Act, which only applies to registered marks. Along similar lines, this research suggests an administrative adjustment that would grant security to unregistered trademarks, reducing the need for passing off requirements.

7. CONCLUSION:

Dilution cannot be compared to traditional infringement given the significant financial and time expenditure made by the owner to ensure that the mark crosses the threshold of niche fame and develops into a brand recognised on a global level for offering a certain level of quality assurance to its customers.This leads to frequent unauthorized use of such marks in an effort to profit from their goodwill or notoriety. From the aforementioned, it is clear that dilution laws cannot entirely protect well-known or renowned marks in the absence of obstacles , even when appropriate legislation is passed and restrictions are included. There are several circumstances, nonetheless, in which the allegedly infringing mark will not be seen as diluted. This covers instances in which the mark is used for disparaging, parodying, news reporting, commentary, edifying, and amusement. Such instances can fall under the purview of descriptive or nominalfair use, hence they cannot be classified as trademark dilution. Additionally, trademark dilution claims will not be made in relation to advertising or promotion activities that enable customers ofa brand to compare products or services.