

Court of Justice EU, 14 November 2013,
Environmental Manufacturing v OHIM



v



TRADEMARK LAW

Risk of dilution reputed trade mark requires evidence of a change in economic behaviour

- Autonomous condition that risk of dilution requires evidence of a change in the economic behaviour of the average consumer or serious likelihood that such a change will occur in the future

According to the Court's case-law, proof that the use of the later mark is, or would be, detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered, consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future (Intel Corporation, paragraphs 77 and 81, and also paragraph 6 of the operative part of the judgment).

Admittedly, paragraph 77 of the Intel Corporation judgment, which begins with the words 'it follows that', immediately follows the assessment of the weakening of the ability to identify and the dispersion of the identity of the earlier mark; it could thus be considered to be merely an explanation of the previous paragraph. However, the same wording, reproduced in paragraph 81 and in the operative part of that judgment, is autonomous. The fact that it appears in the operative part of the judgment makes its importance clear.

The wording of the above case-law is explicit. It follows that, without adducing evidence that that condition is met, the detriment or the risk of detriment to the distinctive character of the earlier mark provided for in Article 8(5) of Regulation No 207/2009 cannot be established.

The concept of 'change in the economic behaviour of the average consumer' lays down an objective condition. That change cannot be deduced solely

from subjective elements such as consumers' perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.

Change in economic behavior is an objective condition

- That change cannot be deduced solely from subjective elements such as consumers' perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.

However, in its judgment in Intel Corporation, the Court clearly indicated that it was necessary to demand a higher standard of proof in order to find detriment or the risk of detriment to the distinctive character of the earlier mark, within the meaning of Article 8(5) of Regulation No 207/2009.

Accepting the criterion put forward by the General Court could, in addition, lead to a situation in which economic operators improperly appropriate certain signs, which could damage competition.

Risk of dilution

- Required serious risk of detriment to distinctive character based on logical deductions, which must not be the result of mere suppositions, but must be founded on 'an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case'.

Source: curia.europa.eu

Court of Justice EU, 14 November 2013

(T. von Danwitz, E. Juhász (Rapporteur), A. Rosas, D. Šváby, C. Vajda)

In Case C-383/12 P,

APPEAL under Article 56 of the Statute of the Court of Justice of the European Union, brought on 8 August 2012,

Environmental Manufacturing LLP, established in Stowmarket (United Kingdom), represented by M. Atkins, Solicitor, K. Shadbolt, Advocate, and S. Malynicz, Barrister,

applicant,

the other parties to the proceedings being:

Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM), represented by A. Folliard-Monguiral, acting as Agent, defendant at first instance,

Société Elmar Wolf, established in Wissembourg (France), represented by N. Boespflug, avocat, intervener at first instance,
THE COURT (Fifth Chamber),
composed of T. von Danwitz, President of the Chamber, E. Juhász (Rapporteur), A. Rosas, D. Šváby and C. Vajda, Judges, Advocate General: J. Kokott, Registrar: M. Aleksejev, Administrator, having regard to the written procedure and further to the hearing on 29 May 2013,
having decided, after hearing the Advocate General, to proceed to judgment without an Opinion,
gives the following

Judgment

1 By its appeal, Environmental Manufacturing LLP ('Environmental Manufacturing') seeks to have set aside the judgment of the General Court of the European Union of 22 May 2012 in Case T-570/10 *Environmental Manufacturing v OHIM – Wolf* (Representation of a wolf's head) [2012] ECR II-0000 ('the judgment under appeal'), by which the General Court dismissed its action for annulment of the decision of the Second Board of Appeal of the Office for Harmonisation in the Internal Market (Trade Marks and Designs) (OHIM) of 6 October 2010 (Case R 425/2010-2), relating to opposition proceedings ('the contested decision').

Legal context

2 Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (OJ 2009 L 78, p. 1), which entered into force on 13 April 2009, codified and repealed Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).

3 Under the heading 'Relative grounds for refusal', Article 8(1)(b) and (5) of Regulation No 207/2009 states:

'1. Upon opposition by the proprietor of an earlier trade mark, the trade mark applied for shall not be registered:

[...]

(b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks there exists a likelihood of confusion on the part of the public in the territory in which the earlier trade mark is protected; the likelihood of confusion includes the likelihood of association with the earlier trade mark.

[...]

5. Furthermore, upon opposition by the proprietor of an earlier trade mark within the meaning of paragraph 2, the trade mark applied for shall not be registered where it is identical with or similar to the earlier trade mark and is to be registered for goods or services which are not similar to those for which the earlier trade mark is registered, where in the case of an earlier Community trade mark the trade mark has a reputation in the Community and, in the case of an earlier national trade mark, the trade mark has a reputation in the Member State concerned and where the use without due cause of the trade mark applied for would take

unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trade mark.'

4 Article 8(1)(b) and (5) of Regulation No 40/94 was drafted in the same terms as the corresponding provisions of Regulation No 207/2009.

Background to the dispute

5 On 9 March 2006, Environmental Manufacturing's predecessor in law filed an application for registration of a Community trade mark with OHIM of a figurative sign representing a wolf's head for the marketing of goods falling within Class 7 of the Nice Agreement of 15 June 1957 concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, as revised and amended, and corresponding to the following description, namely '*Machines for professional and industrial processing of wood and green waste; professional and industrial wood chippers and shredders*'.

6 Following publication of the application in Community Trade Marks Bulletin No 38/2006 of 18 September 2006, Société Elmar Wolf ('Elmar Wolf') filed a notice of opposition against registration of the mark applied for in respect of those goods.

7 The opposition was based on a number of earlier French and international word and figurative trade marks. The grounds relied on in support of its opposition were those referred to in Article 8(1)(b) and (5) of Regulation No 40/94.

8 On 24 September 2007, Environmental Manufacturing's predecessor in law assigned the application for registration to Environmental Manufacturing. On 2 October 2007, Environmental Manufacturing requested, in accordance with Article 43 of Regulation No 40/94 (now Article 42 of Regulation No 207/2009), that Elmar Wolf adduce evidence of use of the earlier marks. The intervener then presented documentary evidence to that effect.

9 On 25 January 2010, the Opposition Division of OHIM dismissed the opposition based on Article 8(1)(b) of Regulation No 207/2009 on the ground that there was no likelihood of confusion between the marks at issue. The Opposition Division also dismissed the opposition based on Article 8(5) of that regulation on the ground that Elmar Wolf had not adduced evidence of any detriment to the repute of the earlier marks or any unfair advantage gained from them.

10 On 23 March 2010, Elmar Wolf filed a notice of appeal against that decision, which was annulled by the contested decision. With regard to Article 8(5) of Regulation No 207/2009, the Second Board of Appeal found that the earlier marks were highly reputed in three Member States. It then found that there was some similarity between the marks at issue and that the relevant public might establish a link between the signs, having regard to the distinctiveness and reputation of the earlier marks, and to the similarity of the goods covered by the marks at issue. Finally, the Board of Appeal concluded, referring to the arguments put forward by Elmar Wolf, that the mark applied for might dilute the unique image of the earlier marks and

take unfair advantage of their distinctive character or their reputation.

The action before the General Court and the judgment under appeal

11 Environmental Manufacturing brought an action for annulment of the contested decision before the General Court. The applicant put forward two pleas in law in support of that action, relying on the one hand, on infringement of Article 42(2) and (3) of Regulation No 207/2009 and, on the other, on infringement of Article 8(5) of that regulation.

12 The General Court, at paragraphs 16 to 24 of the judgment under appeal, dismissed the first plea in law as unfounded.

13 With regard to the second plea in law, the General Court found, at paragraph 47 of the judgment under appeal, that the Board of Appeal correctly held that the relevant public might establish a link between the signs represented by the marks at issue.

14 The General Court stated next, at paragraphs 48 and 49 of the judgment under appeal, in relation to the risk of dilution, that, according to Environmental Manufacturing, the proprietor of the earlier mark must plead and prove that use of the later mark would have an impact on the behaviour of the consumers of the goods covered by the earlier mark or that there was a serious risk that such an impact would occur in the future. It further stated that Environmental Manufacturing submitted that the Board of Appeal had omitted to assess that impact in the present case, that Elmar Wolf should have submitted its arguments specifically explaining the harm caused by dilution, and that the mere mention of dilution was insufficient to justify the application of Article 8(5) of Regulation No 207/2009.

15 The General Court found, at paragraphs 50 to 54 of the judgment under appeal:

'50. [The] ground for refusal based on the risk of dilution, as provided for in Article 8(5) of Regulation No 207/2009, contributes, along with the other grounds for refusal set out in that article, to protect the primary function of the mark, that is to say as an indication of origin. So far as concerns the risk of dilution, that function is compromised where the earlier mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark. That is notably the case where the earlier mark, which used to arouse immediate association with the goods or services for which it is registered, is no longer capable of doing so ([Case C-252/07] Intel Corporation [2008] ECR I-8823], paragraph 29).

51. It is clear from Intel Corporation [...] that the proprietor of the earlier mark who invokes the protection granted by Article 8(5) of Regulation No 207/2009 is required to adduce evidence that use of the later mark would be detrimental to the distinctive character of the earlier mark. To that end, the proprietor of the earlier mark is not required to

demonstrate actual and present harm to his mark. When it is foreseeable that such injury will ensue from the use which the proprietor of the later mark may be led to make of its mark, the proprietor of the earlier mark cannot be required to wait for this actually to occur in order to be able to prohibit that use. The proprietor of the earlier mark must, however, prove that there is a serious risk that such an injury will occur in the future (Intel Corporation, [...] paragraphs 37, 38 and 71).

52. Accordingly, the proprietor of the earlier mark must adduce prima facie evidence of a future risk, which is not hypothetical, of detriment [...]. Such a conclusion may be established, in particular, on the basis of logical deductions made from an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case [...].

53. It cannot, however, be required that, in addition to those elements, the proprietor of the earlier mark must show an additional effect, caused by the introduction of the later mark, on the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered. Such a condition is not set out in Article 8(5) of Regulation No 207/2009 or in Intel Corporation [...].

54. So far as concerns paragraph 77 of Intel Corporation [...], it is apparent from the choice of words 'it follows' and from the structure of paragraph 81 of that judgment that the change in the economic behaviour of the consumer, to which [Environmental Manufacturing] refers in support of its claim, is established if the proprietor of the earlier mark has shown, in accordance with paragraph 76 of Intel Corporation, that the mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark.'

16 At paragraphs 56 to 65 of the judgment under appeal, the General Court examined whether the Board of Appeal correctly applied Article 8(5) of Regulation No 207/2009 and the foregoing principles in the present case.

17 The General Court found, at paragraph 66 of the judgment under appeal, on the one hand, that the Board of Appeal was fully entitled to find that the use of the mark whose registration had been applied for was likely to be detrimental to the distinctive character of the earlier marks, and on the other, that Environmental Manufacturing's argument that it was necessary to show the economic effects of the connection between the marks at issue could not be upheld.

18 The General Court stated, at paragraph 67 of the judgment under appeal, that, '[in] so far as the Board of Appeal thus applied Article 8(5) of Regulation No 207/2009 correctly on account of the risk of dilution caused by the mark applied for, it is not necessary to consider the risk [that Environmental Manufacturing takes unfair advantage of the distinctive character or

the repute of the earlier marks (free-riding)] on which the contested decision is also based’.

19 In those circumstances, the General Court dismissed the second plea in law as unfounded and dismissed the application in its entirety.

Forms of order sought

20 By its action, Environmental Manufacturing asks the Court to set aside the judgment under appeal, to give final judgment on the dispute and to order OHIM and Elmar Wolf to pay the costs.

21 OHIM contends that the Court of Justice should dismiss the appeal and order Environmental Manufacturing to pay the costs.

22 Elmar Wolf contends that the Court should, primarily, dismiss the appeal and, in the alternative, refer the case back to the General Court, and order Environmental Manufacturing to bear its own costs as well as those incurred by Elmar Wolf.

The appeal

23 In support of its appeal, Environmental Manufacturing relies on a single plea in law, alleging infringement of Article 8(5) of Regulation No 207/2009.

Arguments of the parties

24 Environmental Manufacturing submits that, following the judgment in [Intel Corporation](#), proof that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered consequent on the use of the later mark, or evidence of a serious likelihood that such a change will occur in the future. Such proof would have to be adduced in order to show dilution of an earlier mark.

25 Environmental Manufacturing complains that, in finding that it is sufficient if the earlier mark’s ability to identify the goods for which it is registered and used as coming from the proprietor of that mark is weakened because use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark, the General Court did not require that proof.

26 Environmental Manufacturing submits that the General Court’s assessment did not take into account the Court’s case-law that an effect on the economic behaviour of consumers implies an effect on their commercial conduct. Environmental Manufacturing submits that such an actual or potential effect must be assessed in the context of an action brought on the basis of Article 8(5) of Regulation No 207/2009 and that, given that the question was neither considered nor proved, the General Court ought to have dismissed the argument that there had been a dilution within the meaning of that provision.

27 OHIM accepts that proof that the use of the later mark is or would be detrimental to the distinctive character of the earlier mark, within the meaning of Article 8(5) of Regulation No 207/2009, requires evidence of an actual or potential change in the economic behaviour of the average consumer of the goods for which the earlier mark was registered. It

submits, none the less, that the change in the economic behaviour of the average consumer and the dispersion of the identity of the earlier mark amount to circumstances that are neither independent nor cumulative and are in reality part of a single requirement.

28 OHIM submits that the circumstance that the use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark, referred to in paragraphs 29 and 76 of the [Intel Corporation](#) judgment, merely reflects the change in the economic behaviour of the average consumer. It submits that such a change will occur where, in that consumer’s perception, the economic value of the sign having a reputation will suffer from the use of a later sign. It is sufficient, in order for the consumer’s economic behaviour to be affected, for the consumer to consider the sign having a reputation to be less attractive, prestigious or exclusive as a result of the use of the later sign in dispute.

29 OHIM submits that the judgment under appeal is based on the correct premise that ‘*a change in the economic behaviour of the average consumer of the goods for which the earlier mark was registered*’ presupposes that evidence be adduced, as in the present case, that ‘*use of the later mark leads to dispersion of the identity and hold upon the public mind of the earlier mark*’. That statement does no more than explain the premise.

30 OHIM is of the opinion that the dispersion of the identity and hold upon the public mind means that the economic value of the sign which has a reputation is adversely affected and that the perception of the public and its ‘economic behaviour’ are two sides of the same coin. OHIM adds that the finding at paragraph 62 of the judgment under appeal is the expression of the likely change in the economic behaviour of the consumer of the goods covered by the earlier marks, which is to be expected from the simultaneous use of the sign in dispute.

31 Elmar Wolf notes that the Board of Appeal determined, in paragraphs 36 and 38 of the contested decision, that the use of the mark whose registration has been applied for is likely to involve a risk of dilution and the taking of an unfair advantage of the earlier mark. It notes that the General Court, in finding at paragraph 66 of the judgment under appeal that the mark whose registration has been applied for may be detrimental to the distinctive character of the earlier marks, did not examine, for reasons of procedural economy, the unfair advantage taken of that distinctive character.

32 Concerning compliance with the purported additional, distinct criterion identified in the [Intel Corporation](#) judgment, Elmar Wolf submits that the General Court correctly stated that the argument that it is necessary to show the economic effects of the connection between the marks at issue cannot be upheld.

33 Elmar Wolf submits that the circumstances on which the Court’s analysis rests in the [Intel](#)

Corporation judgment concern the case in which the goods or services covered by the earlier mark are not similar to the goods or services covered by the later mark, whilst the present case concerns goods that are identical or, at the very least, similar. Thus, the criteria identified by the Court in the Intel Corporation judgment do not apply in the present case.

Findings of the Court

34 According to the Court's case-law, proof that the use of the later mark is, or would be, detrimental to the distinctive character of the earlier mark requires evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered, consequent on the use of the later mark, or a serious likelihood that such a change will occur in the future (Intel Corporation, paragraphs 77 and 81, and also paragraph 6 of the operative part of the judgment).

35 Admittedly, paragraph 77 of the Intel Corporation judgment, which begins with the words '[i]t follows that', immediately follows the assessment of the weakening of the ability to identify and the dispersion of the identity of the earlier mark; it could thus be considered to be merely an explanation of the previous paragraph. However, the same wording, reproduced in paragraph 81 and in the operative part of that judgment, is autonomous. The fact that it appears in the operative part of the judgment makes its importance clear.

36 The wording of the above case-law is explicit. It follows that, without adducing evidence that that condition is met, the detriment or the risk of detriment to the distinctive character of the earlier mark provided for in Article 8(5) of Regulation No 207/2009 cannot be established.

37 The concept of 'change in the economic behaviour of the average consumer' lays down an objective condition. That change cannot be deduced solely from subjective elements such as consumers' perceptions. The mere fact that consumers note the presence of a new sign similar to an earlier sign is not sufficient of itself to establish the existence of a detriment or a risk of detriment to the distinctive character of the earlier mark within the meaning of Article 8(5) of Regulation No 207/2009, in as much as that similarity does not cause any confusion in their minds.

38 The General Court, at paragraph 53 of the judgment under appeal, dismissed the assessment of the condition laid down by the **Intel Corporation** judgment, and, consequently, erred in law.

39 The General Court found, at paragraph 62 of the judgment under appeal, that 'the fact that competitors use somewhat similar signs for identical or similar goods compromises the immediate connection that the relevant public makes between the signs and the goods at issue, which is likely to undermine the earlier mark's ability to identify the goods for which it is registered as coming from the proprietor of that mark'.

40 However, in its judgment in **Intel Corporation**, the Court clearly indicated that it was necessary to demand a higher standard of proof in order to find detriment or the risk of detriment to the distinctive character of the

earlier mark, within the meaning of Article 8(5) of Regulation No 207/2009.

41 Accepting the criterion put forward by the General Court could, in addition, lead to a situation in which economic operators improperly appropriate certain signs, which could damage competition.

42 Admittedly, Regulation No 207/2009 and the Court's case-law do not require evidence to be adduced of actual detriment, but also admit the serious risk of such detriment, allowing the use of logical deductions.

43 None the less, such deductions must not be the result of mere suppositions but, as the General Court itself noted at paragraph 52 of the judgment under appeal, in citing an earlier judgment of the General Court, must be founded on 'an analysis of the probabilities and by taking account of the normal practice in the relevant commercial sector as well as all the other circumstances of the case'.

44 However, the General Court did not criticise the failure to conduct that analysis, contrary to the case-law cited in its own judgment.

45 With respect to Elmar Wolf's argument that the criterion identified by the Court in the **Intel Corporation** judgment concerns goods or services that are not similar to the goods or services covered by a later mark and is not, therefore, applicable in the present case, it is sufficient to note that, having regard to its general wording, the case-law referred to at paragraphs 77 and 81 and also at paragraph 6 of the operative part of **that judgment** cannot be interpreted as being limited to the factual circumstances involving goods or services that are not similar to the goods or services covered by a later mark.

46 In those circumstances, it must be held that the appeal is well founded.

47 Accordingly, the judgment under appeal must be set aside.

48 According to the first paragraph of Article 61 of the Statute of the Court of Justice of the European Union, the Court may, where the decision of the General Court has been annulled, either itself give final judgment in the matter, where the state of the proceedings so permits, or refer the case back to the General Court for judgment.

49 In the present case, the conditions in which the Court may itself give final judgment on the matter are not met.

50 Consequently, it is necessary to refer the case back to the General Court and to reserve the costs.

On those grounds, the Court (Fifth Chamber) hereby

1. Sets aside the judgment of the General Court of the European Union of 22 May 2012 in Case T-570/10 Environmental Manufacturing v OHIM – Wolf (Representation of a wolf's head) [2012] ECR II-0000;
2. Refers the case back to the General Court of the European Union;
3. Reserves the costs.