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A Study on the Judgment Criteria for the Trademark Dilution of Famous Marks

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[Abstract]

The trademark dilution of famous marks as a kind of unfair competition practice is defined and regulated in Article 2 (1) (c) of the Unfair Competition Prevention and Trade Secret Protection Act (hereinafter referred to as the Unfair Competition Prevention Act), which was newly established according to the amendment of the Act on February 3, 2001.

Famous trademarks are universally protected in all around the world, which are likewise protected in the Republic of Korea by the Unfair Competition Prevention Actin line with such international trends.

In order to establish the trademark dilution of famous marks, it is necessary to have the following characteristics: (1) high reputation of the original mark, (2) use of identical or similar markscompared to the original mark, (3) occurrence of blurring of discrimination or tarnishment of reputation; in particular, with respect to the degree of proof of 'blurring of discrimination or tarnishment of reputation', which is a constituent requirement of the trademark dilution of famous marks, it is reasonable to interpret the trademark dilution as concrete endangerment offense, neither harm-based offense nor abstract endangerment offense, and thus it should be considered that the crime is established if a specific realistic risk of blurring of discrimination or tarnishment of reputation occurs.

Furthermore, in relation to the specific criteria of 'blurring of discrimination or tarnishment of reputation', it is necessary to comprehensively judge the degree of individual behavior in specific matters as a normative factor as well as the psychosocial viewpoint of the general public.

▸ **Key words**: Famous marks, Trademark Dilution, The Unfair Competition Prevention Act, Blurring, Tarnishment

[요 약]

2001.2.3.자 부정경쟁방지법의 개정으로 신설된 제2조 제1호 (다)목에서는 부정경쟁행위의 한 종류로서 저명상표 희석행위에 대해 정의하고 이를 규제하고 있다. 저명상표는 세계 각국에서 보편적으로 보호되고 있는데 우리나라도 이와 같은 국제적인 조류에 맞추어 부정경쟁방지법에서 저명상표를 보호하고 있다. 저명상표 희석범죄가 성립하기 위해서는 ①표지의 저명성 ②표장의 동일·유사 ③식별력 약화 또는 명성 손상을 요건으로 하는데, 특히 저명상표 희석범죄의 구성요건적 결과인 '식별력 약화 또는 명성 손상'의 입증정도와 관련하여 저명상표 희석범죄는 침해범이나 추상적 위험범이 아닌 구체적 위험범이라고 해석함이 타당한 바, 식별력 약화 또는 명성 손상의 구체적·현실적 위험이 발생하면 본 죄가 성립하는 것으로 보아야 한다. 나아가 '식별력 약화 또는 명성 손상'의 구체적 판단 기준과 관련하여, 일반 대중의 사회 심리적 관점뿐만 아니라 구체적 사안에서의 개별 행위태양의 反 가치정도를 규범적 요소로서 고려하여 종합적으로 판단함이 상당하다.

▸ **주제어**: 저명상표, 희석행위, 부정경쟁방지법, 식별력 약화, 명성손상

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I. Introduction

The trademark dilution of famous marks as a kind of unfair competition practice is defined and regulated in Article 2 (1) (c) of the Unfair Competition Prevention and Trade Secret Protection Act (hereinafter referred to as the Unfair Competition Prevention Act), which was newly established according to the amendment of the Act on February 3, 2001.

Famous trademarks are universally protected in all around the world, which are likewise protected in the Republic of Korea by the Unfair Competition Prevention Actin line with such international trends.

Since the credit for brands which are widely known among consumers and have a high reputation in the market needs to be protected, any attempt to gain unfair advantage by relying on decent images and customer attraction accumulated in these trademarks is defined as an act against fair competition; actswhich blur the discrimination of famous trademarks or tarnish reputation without causing any misunderstanding or confusion between consumers and general traders are regulated in order to protect the trademark owner.

Unlike the provisions in Article 2 (1) (a) or (b), which are to be applied only in the similar industry, the provisions in Article 2 (1) (c) are not influenced by the possibility of confusion and thus are extremelypowerful in that they have a legal effect even on non-competitive industries, and criminal punishment can be applied as well in case of violation according to the penal provisions of Article 18, so there should be specific and clear criteria for the judgment of famous trademarks or punishment on trademark dilution; nevertheless, it seems that the established precedents and related academic debates are lacking.

Thanks to the accumulation of relevant precedents, the interpretation criteria for the judgments of famous trademarks have been being established.

However, it is a contentious issue whether the reason for judging that the distinguished trademark of the famous marks is blurred or the reputation is tarnished when it is judged that it is a ‘famous trademark’ in specific practical cases; in particular, the parties of the actual cases are fiercely debating whether or not there is a blurring of discrimination due to the difficulty in the verification compared to 'reputation tarnishment' which is relatively easy to prove.

Therefore, the following sectionsdiscuss whether the trademark dilution of famous marks subject to criminal penaltiesis regarded as a result-based offense or an endangerment offense under Criminal law, and then present specific criteria for determining if the dilution has resulted a specific outcome in a particular case.

II. Requirement for establishment of the trademark dilution of famous marks

1. Famous trademarks

The extent to which the product or commerce is extensively known to the general public as well as to consumers and traders is called reputation or fame [1].

The U.S. trademark law is intended to protect consumers as an output of the U.S. common law (prohibition of misleading or confusing sources); on the contrary, regardless of the protection of the identity or the uniqueness of the trademark, or the fact that the consumer misidentifies or confuses the trademark itself, the Federal Trademark Dilution Act is intended to prevent the trademark itself from being tarnished, and in this respect their legislative purposes are different [2]. Accordingly, the trademark protected by the Federal Trademark Dilution Actof which the main purpose is trademark protectionneeds to be limited to well-known or famous trademarks; in light of the fact that the provisions of the Unfair Com

petition Prevention Act of the Republic of Korea stemmed from the Federal Trademark Dilution Act of the U.S. and the similarity of their legislative purposes, it is reasonable to limit the trademark to be protected to famous trademarks[3].

2. Dilution of trademarks

2.1 Dilution theory

Dilution theory is a theory to protect trademarks, of which purpose is to protect the credit, quality or the value of the information delivered by the trademark to the origin of the goods from the consumer through the evaluation of the goods and therefore trademark users should be protected from the dilution that deteriorates the consumer's evaluation of such credit.

According to the conventional theory of a possibility of confusion, a trademark infringement by an illegal use is established only if there is a possibility of confusion between the product and the commerce, even if a similar mark is used. Considering only the theory, a trademark infringement is not able to be established from doing business in another industry by making advantages of the reputation when a trademark becomes prominent. If the unauthorized use is neglected, there is a great risk of destroying and contaminating the intuitive and positive associations of certain trademarks built up by the owners of famous trademarks at great expense and effort, and thus credit and customer attractiveness are distributed among various products.

In 1927, Frank Schechter first introduced the theory of trademark dilution through a paper published in the law magazine of Harvard in the U.S.Beginning in Massachusetts in 1947 in the U.S., the provisions for anti-dilution has been codified in the 27 state laws of the U. S.; the mark protection system was adopted in Japan, and they were stipulated in the Community Trademark Regulation in Europe. The trademark law of the U.S. reflects provisions for trademark dilution as well. According to Article 1127 of the U. S. Trademark Law, the dilution of trademarks refers to diminish the power of distinguishing a specified commodity provided with famous trademarks from a different one, regardless of whether there is a risk of confusion, misidentification or deceit between the owner of the trademark and the third party. The provisions for dilution apply to all prominent trademarks irrespective of their registration and also to both non-competing and competing parties. In addition, the above provisions apply not only to the same trademark but also to the similar trademarks resulting inthe trademark dilution. If trademark infringement by dilution is recognized, a prohibited claim can be made in principle, and also tarnish compensation and destruction of infringing goods can be claimed if intentionality is proved.

On the other hand, there is criticism that the dilution theory protects the rights of the trademark owner excessively. In other words, prohibiting the use of similar brands by competitors exacerbates the principle of competition even if there is no competition and there is no confusion in the source, which leads to market rigidity and excessive protection against the intrinsic nature of the trademark system. The theory of dilution was originally proposed to solve problems that cannot be solved by the possibility of confusion. However, the boundaries of two theories are indeed unclear; especially, the eight criteria of the possibility of confusion established in Polaroid case and six criteria of Mcad Data case are almost overlapped. In particular, the terms of the Federal Trademark Dilution are similar to those of confusion theory, so that the boundaries are even more ambiguous [4].

2.2 Meaning of blurring

The blurring can be caused by the unauthorized use of a similar product by a third party thereby decreasing the judgment ability by hindering the purchasing power or value of the trademark, which is the product of the efforts and the cost of the trademark owner [5]. This causes the consumer to lose the ability to associate a particular brand with

a designated product. In other words, the association between the brand and the product used in the brand of the consumer's consciousness is blurred. It is the concept of the consumer side that is exactly the opposite of the idea of confusion, causing a gradual loss of discrimination. This type of dilution is termed dilution by blurring [6].

A well-known trademark makes it possible to save information costs by providing a clear, easy-to-remember and clear identification of the product or service. However, if the trademark is associated with another product, it interferes with the direct association of the person with the trademark to the product or service, which in turn increases the cost of the information [7]. Unlike confusion, tarnishment caused by dilution is gradually destroying the brand or advertising power, which can be considered a kind of infection.

2.3 Meaning of tarnishment

Reputation tarnishment refers to the act of impairing the favorability or trust that consumers have with respect to the famous mark by abusing another famous trademark in low-grade goods or socially imprisoned immoral goods, which leads to the use of brand names with positive and good quality images for inferior goods or services and unhealthy situation, thereby inducing goods aversion and reducing the sales force of the product [8].

Dilution of a trademark by reputation tarnishment can occur in two ways: to use a trademark of its owner without permission for an inferior quality product or service, and to use the trademark of its owner in an unhealthy situation. It is imperative that the two cases of dilution generate negative associations that conflict with or degrade positive images of brand quality. Consequently, an abuse of a trademark for a high quality product can be regarded as not causing dilution by tarnishment.

Ⅲ. Judgment criteria for blurring or tarnishment

1. Issue

1.1 Raising an issue

In order to establish the trademark dilution for famous marks, it is necessary to "blur the identification or tarnish reputation of others' marks"; however, there is a lack of established standards and precedent for judging the extent.

In order to judge this, the interpretation of whether the trademark dilution of famous marks is endangerment offense or harm-based offense should be performed first.

This is related to whether the infringement of famous trademark due to dilution (blurring or tarnishment) is deemed to be perpetration when it actually happened or whether it is deemed to be perpetration if the risk is authenticated or substantiated before actual infringement.

1.2 Review of penaltyprovisions of the Unfair Competition Prevention Act

First of all, it is necessary to examine the law of penalty provisions stipulated in Article 18 of the Unfair Competition Prevention Act.

Article 18 (Penalty Provisions) (3) Any of the following persons shall be punished by imprisonment with labor for not more than three years or by a fine not exceeding 30 million won

1. A person who has engaged in an act of unfair competition under subparagraph 1 of Article 2 (excluding items (h), (j), and (k));

Article 18-2 (Attempted Crimes)

Any person who has attempted to commit a crime provided in Article 18 (1) and (2) shall be punished.

** Article 18 (1) and (2) are 'acts of infringement of trade secret'.

** Article 18 (3) There is no provision for punishment for attempted crimes of unfair competition practices

2. Distinction between harm-based offense and endangerment offense

In criminal law, there are many ways to distinguish crime, and it is classified as a harm-based offense and an endangerment offense according to the degree of infringement of legal interest [9].

In order for the crime to be perpetrated, the form of the crime that the actor actually violated the protection law of the requirement is harm-based offense (the result of infringement of legal interest should be concrete and realistic), while the crimes that constitute a detriment to its integrity are endangerment offense even before the protection of legitimate interests is violated (it is sufficient that there is an act that induces a risk of infringement of legal interest).

The dangerous offender is divided into concrete endangerment offense and abstract endangerment offense, depending on whether specific and realistic risks arise or general and abstract risks are sufficient, respectively.

The concrete endangerment offense is not only intended to be perceived as risky because of the risk as constitutional requirements, but also requires the judge to ascertain the occurrence of specific risks in judging whether or not the crime is established, while the risk in the abstract endangerment offense is considered only as a reason for the legislation and is not intended to be deliberate or proven since the outcome of a risk is not a component requirement [10].

3. Interpretation

Therefore, it is necessary to first discuss whether such the trademark dilution of famous marks is interpreted as the harm-based offenseor as theabstract endangerment offense, in order to make it easier to judge the occurrence of risk as a constituent requirement or the problem of risk outcome.

3.1 Interpretation as harm-based offense

In this perspective, it should be construed as the harm-based offense that requires infringement of legal interests for an offense stipulated as "someone who does... by... shall be penalized with ..." in the law, since the requirements for the establishment of a crime must be strictly interpreted in accordance with the applicable law.

The view on the harm-based offense points out that the application of the criminal law at the stage where the infringement of legal interest is unclear and the risk for it is not specified could seriously impair the guarantee function of the criminal law [11].

Therefore, it should be interpreted as the harm-based offense according to the law, so it requires the realistic outcome of weakening discrimination or reputation damage since the crime of the law is defined as "someone who has committed unfair competition by acts that tarnish the discrimination or reputation of others... using ...".

3.2 Interpretation as endangerment offense

In the law, the criminal law theory and the precedent interpret many criminal offenses which are difficult to be interpreted as the endangerment offense because they require the result of infringement of legal interests [12], which is due to the tendency to abstract the concept of the law as a countermeasure against the dangerous society and to expand the range of the endangerment offense according to social demands.

According to this view, the act itself should be interpreted as the endangerment offense itself for crimes that are likely to result in situations that are difficult to recover if the case that the typical risk of infringement is acknowledged or the consequences of actual infringement are violated occurs, though yet to be realized.

As a nation that is obliged to actively protect the fundamental rights of the people, it is necessary not only to punish afterwards but also to protect the interests by preventing danger through proactive and preventive measures if infringement of fundamental

rights that cannot be recovered is expected.

Thus, according to this view, the reputation tarnishment of famous trademark is recognized as the risk of infringement of legal interests itself; in the case of blurring, the potential result of actual infringement of legitimate interests will cause unrecoverable consequences, so it should be interpreted as the endangerment offense.

4. Analysis

4.1 Criticism on interpretation as harm-based offense

It would be not appropriate to interpret the Unfair Competition Prevention Act Article 2 (1) (c) based on the harm-based offense, unlike Article (2) (1) (a) and (b) of the same Act, considering the following characteristics: protection of personal interests is possible because the possibility of confusion is not a requirement, it is difficult to detect external changes immediately because the blurring of discrimination gradually occur over a long period of time, if the law is applied after the blurring of discrimination, it cannot effectively protect the well-known trademark rights, and it is not easy or insignificant to ascertain whether the blurring of discrimination actually occurred during the investigation or trial.

4.2 Criticism on interpretation as abstract endangerment offense

It is not reasonable to interpret crime of the present article as the abstract endangerment offense due to the following reasons: considering certain acts as potential abstract risks to legal interests is an exception to penal liability and should therefore be construed in a limited and strict manner, the high reputation of the trademarks is not necessarily related with a blurring of discrimination or tarnishment of reputation, which is an overly broad interpretation of the protection of famous trademarks and may be abused, and, even though the concrete endangerment offense is interpreted as a kind of result-based offense, there are very few types of crime that have penalty provisions for attempted crime and therefore it is difficult to interpret that the legislator intends to govern by the abstract endangerment offense law merely because there is no punishment for the attempted crime.

4.3 Balance with case interpretation between (a) and (b) - concrete endangerment offens

In light of the fact that there is concern about false confusion as the basis of recognition of unfair competition practices, but the actual result of false confusion has not been discussed, it is expected that the Supreme Court interprets the crime as a specific dangerous offender according to the judgment of the Supreme Courtwhich states [13], “According to the Unfair Competition Prevention Act Article (2) (1) (b), the similarity of the business marks is determined by generally, objectively, and separately observing the two business marks used in the same type of business in terms of appearance, title, and notion based on the possibility that the general consumer or trader may misidentify the source of the business... In light of the many recorded and acknowledged circumstances, the defendants' use of the trade name can be regarded as an unfair competition act which confuses the general consumer including the following criteria: The victim's mark has been well known in the Republic of Korea, the defendant opened dozens of franchise stores with the above marks and operated a food business that processed chicken in a manner similar to that of the victim, and most of the customers of the victim and the defendant are expected to overlap.”

4.4 Analysis

Therefore, it is reasonable to interpret the trademark dilution of famous marks in Article (2) (1) (c) as the abstract endangerment offensein which offender is punished if there is specific or real risk of blurringof discrimination or tarnishment of reputation, considering the balance with the interpretation of Article (2) (1) (a) and (b)

described above which depicts criticisms and judgments about interpretation as harm-based offense and abstract endangerment offense.

Ⅳ. Criteria for the occurrence of concrete and realistic risks

1. Issue

Based on the idea of interpreting the trademark dilution of famous marks as the abstract endangerment offense, as noted above, it is required to determine the criteria for judging whether specific blurring of discrimination or tarnishment of reputation has occurred or not in specific cases.

In particular, it is important to determine at what level the concerns of blurring discrimination are concrete and realistic, while the consequences or concerns of reputation tarnishment are relatively easy to be determined as it is the action used in immoral or low-grade goods itself.

In other words, it is necessary to establish a judgment criterion about the concrete and realistic risk of trademark dilution.

2. Judgment criteria

In principle, the issue of blurring of discrimination or tarnishment of reputation' is determined based on the perception of the general public; basically, they should be judged realistically from a social psychological point of view [14], and, in practical cases, it is often the case that the results of the questionnaire survey on 'consumer perception' are submitted as evidence of dilution concerns to be recognized as well-known or famous trademarks. However, trademark infringement cases occur in a wide variety of forms, leading to judgment absurdity that the crime is determined depending on the methods and objects of the census.

Since the numerical questionnaire survey on the awareness of famous brands in the survey results cannot be a quantitative criterion on whether they are considered as the risk of dilution or recognition of reputation, it is not practical to judge whether or not there is a risk based solely on the above psychosocial factors.

Therefore, it should be judged by considering normative factor as well as psychosocial viewpoint together with interpretation criteria about concrete risk occurrence. In other words, considering 1) type and extent of trademark infringement, 2) period of use, 3) usage method, 4) intent of infringer, and 5) degree of confusion of trademark infringementto be the same or similar to the famous trademark as the normative factors, it is believed that the specific risk occurs when the infringement act is expected to jeopardize the protection law of the famous trademark.

Ⅴ. Conclusion

Recently, the product marks and the business marks have been easily accessible by the general public due to the development of various media, and thus the crime of abusing famous trademarks is becoming frequent.

In order to establish the trademark dilution of famous marks, it is necessary to have the following characteristics: (1) high reputation of the original mark, (2) use of identical or similar markscompared to the original mark, (3) occurrence of blurring of discrimination or tarnishment of reputation; in particular, with respect to the degree of proof of 'blurring of discrimination or tarnishment of reputation', which is a constituent requirement of the trademark dilution of famous marks, it is reasonable to interpret the trademark dilution as concrete endangerment offense, neither harm-based offense nor abstract endangerment offense, and thus it should be considered that the crime is established

if a specific realistic risk of blurring of discrimination or tarnishment of reputation occurs.

Furthermore, in relation to the specific criteria of 'blurring of discrimination or tarnishment of reputation', it is necessary to comprehensively judge the degree of individual behavior in specific matters as a normative factor as well as the psychosocial viewpoint of the general public.

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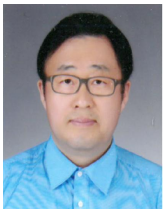

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