to have a reputation within the public concerned. Whether the relevant part of the public consists of the public at large or a specific part thereof depends on the type of marked goods/services. In the light of the criteria mentioned in the preceding paragraph, assessment on a case-by-case basis is necessary while the law does not require certain percentage levels.[796] However, as a practical rule of thumb, one can say that a degree of awareness within the relevant audiences of approximately 40-50% and higher should suffice.[797]

As to the abovementioned requirements of unfair advantage or detriment to the distinctive character or the repute of the earlier mark, Advocate General *Jacobs* observed in *Adidas-Salomon v Fitnessworld Trading*[798] that the taking of unfair advantage concerns free-riding where the defendant is using its mark to trade on the reputation of another. Detriment to the distinctive character of a trade mark – this reflects what is generally referred to as dilution – is existent where the use of the defendant's mark is likely to blur the distinctiveness of the older mark so that it is "no longer capable of arousing immediate association with the goods for which it is registered and used".[799] Detriment to the reputation of a mark, also referred to as tarnishment, occurs where the association between the infringing sign and the registered mark can damage the reputation of the latter in such way that its power of attraction is reduced.

The detriment Art. 8(5) CTMR seeks to protect the reputable mark of results from a certain degree of similarity between the signs in question causing the audience to establish a connection between them without confusing them. Hence, absent the prerequisite of likelihood of confusion, there exists the unwritten requirement of a link to the reputable mark in the minds of the relevant audience, created by the use of the junior mark.[800] Whether or not

796 Cf. e.g. CFI, judgment of 6 February 2007, Case T-477/04, [2007] ECR II-399, Aktieselskabet af 21. November 2001 v. Office of Harmonization for the Internal Market (Trade Marks and Designs) (OHIM) – *TDK*, at para. 49.

797 *Hasselblatt/Hasselblatt*, § 38 at no. 123.

798 Opinion of Mr Advocate General *Jacobs* delivered on 10 July 2003, Case C-408/01, [2003] ECR I-12537, Adidas-Salomon AG and Adidas Benelux BV v Fitnessworld Trading Ltd.

799 *Ibid.* at para. 37.

800 Cf e.g. ECJ, judgment of 23 October 2003, Case C-408/01, [2003] ECR I-12537, Adidas-Salomon AG and Adidas Benelux BV v. Fitnessworld Trading Ltd – *Adidas-Salomon v Fitnessworld Trading* and CFI, judgment of 25 May 2005, Case T-67/04, [2005] ECR II-1825 Spa Monopole, compagnie fermière de Spa SA/NV v. Office of Harmonization for the Internal Market (Trade Marks and Designs) (OHIM) – *SPA-FINDERS*. This requirement is roughly equivalent to the requirement of Art. 16(3)

such a link exsists must be assessed on the basis of all relevant facts of the specific case yet it is, for instance, not sufficient that the defendant's sign is perceived merely as an ornament.[801]

5.12.3 Well-Known Marks

As seen above, the Community trade mark system does not include rules regarding well-known marks within the meaning of Art. 6bis Paris Convention per se.[802] However, various national laws afford protection to well-known marks, for instance the German MarkenG. In this light, § 10(1) MarkenG stipulates that a trade mark may not be registered in case it is identical with or similar to an older mark which is well-known domestically pursuant to Art. 6bis Paris Convention and the requirements of § 9(1) Nr. 1 (double identity), Nr. 2 (likelihood of confusion) or Nr. 3 MarkenG (protection against unfair advantage and detriment) are met. Hence, amongst others, all that has just been said with respect to protection of trade marks with a reputation from unfair advantage and detriment (§ 9(1) Nr.3 MarkenG) applies accordingly to well-known marks, transferred to the national German level.

5.12.4 Implications on Brand Value

As shown above, a trade mark must have reached a relatively high level of awareness within the relevant audience in order to have a reputation under Art. 8(5) CTMR. This cannot be reached without substantial marketing skill and investment, creating significant goodwill around the registered sign. Brand awareness is a basic prerequisite for the formation of brand image.[803] Brand image, in turn, steers buyer behaviour[804] and is therefore a crucial factor influencing income streams resulting from the brand. Hence, over-average levels of brand awareness secure comparatively high and steady income streams.

The brand component the awareness of which is measured is the device or

TRIPs that the use of the younger mark should "indicate a connection" to the proprietor of the well-known mark.

801 ECJ, above fn. 800 – *Adidas-Salomon v Fitnessworld Trading*, at para.s 30 and 40.

802 Cf. e.g. *supra* at 5.7.1.

803 Cf. *supra* at 2.1.2.2.1.

804 *Ibid.*

brand achievement respectively, e.g. logos, packaging shapes, designs, smells etc. – signs some of which may be protectable as trade marks.[805] Therefore, in general, brands the trade mark part of which has become strong enough to have a reputation subject to Art. 8(5) CTMR are more valuable than those which do not show this characteristic. The same applies with respect to well-known marks. This reflects the fact that trade mark law is essentially part of competition law seeking to protect the trade value (i.e. the brand) around the trade mark.[806]

The assessment of reputation and well-known character of a trade mark includes qualitative and quantitative components. It offers as little a fixed hurdle between 'yes' and 'no' as its relation to brand value is fixed. Also, there exist differences in strength within the groups of marks with a reputation and of well-known marks.

Hence, the fact that a trade mark is well-known or has a reputation is a strong indicator of over-average value of the related brand. However, this statement is worth relatively little without analysis of the factors leading to the well-known character or reputation respectively. These factors, e.g. brand image and market share, are no legal issues and will therefore have to be assessed in the course of one of the other three dimensions – in the case of brand image and market share, the technical dimension. Since well-known character or reputation respectively and the factors leading to these characteristics are closely related, the appraiser will have to carefully define the respective fact statements[807] in order to prevent or at least minimise overlap. Also, financial investment made in order to establish the well-known character or reputation of the respective trade mark must be part of the value equation and therefore be dealt with, amongst others, in the financial dimension.

5.13 Contractual Limitations

Contractual agreements relating to trade marks and brands can be found relatively often in practice. The most common are licencing and delimitation or coexistence agreements. Both can have a positive or negative impact on brand value.

805 *Ibid.*
806 *Götting*, IIC 2000, 389, 390.
807 Cf. above at 4.1.2.1.

5.13.1 Licencing Agreements

Licencing agreements are used to convey the right to use the respective object of licence from the proprietor or licensor to the licensee, exclusively or non-exclusively, in whole or in part. The licencor receives the right to collect royalties in return – up front payments, lump sums, running royalties or milestone payments, either individually or in combination.[808] Both brands and trade marks can be licence objects. It is up to the parties to each agreement to negotiate the scope of the object of licence to their satisfaction. Ideally, this scope provides for both satisfactory remuneration for the licensor and an increased product differentiation and successful product positioning in the long term by transferring the brand image and its values on the licensee's products or services, thus enabling expedient commercial exploitation of the licence object for licensor and licensee. A number of types of licence agreements specific to the brand area such as brand and line extensions are specified above at 2.3.2.2.

There are two types of exclusive licences. Licencing agreements which are exclusive in the strict sense give the licensee an extremely strong position since he is the only person being allowed to use the mark (not even the licensor is allowed to). The licensor merely remains in a formal position as title holder in the respective mark. The second form of exclusive licence – often denoted as 'sole licence' – differs from an exclusive licence in the strict sense merely in that the licensor is entitled to continue to use the object of licence. In contrast to that, under a non-exclusive licence, the licensee is one legitimate user of (potentially) many.[809]

Agreements of licence may provide for limitations of the use of the respective trade mark or brand to specific geographic regions, certain products or services or other. It depends on the negotiating skills of the parties and on market success whether such limitations are de facto in line with the relevant party's strategy and portfolio or turns out to be a stumbling block on the road towards a fully satisfactory exploitation of its IP and product/service portfolio.[810] In order to reduce risk of failure, licensors usually contractu-

808 Cf. above at 2.3.2.2.

809 *Fammler*, Der Markenlizenzvertrag, p. 88.

810 For instance, *Exnorm*, a German producer of prefabricated houses, licenced the RTL logo (belonging to a TV station) yet the RTL houses turned out to be a flop. On the other hand, *Junghans* is successfully marketing LEGO watches, cf. *Fischer*, Geliehener