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Employing Gestalt Theory to Enforce Trademarks

January 13 , 2019

Trademark Infringement, Dilution, and Unfair Competition

Trademark law has developed as a subdivision of the law of unfair competition. See, e.g., Oliver R. Mitchell, "Unfair Competition," 10 Harvard L. Rev. 275 (1896). Like other unfair competition laws, trademark law seeks to protect producers from illegitimate diversions of their trade by competitors through recognizing property rights. See M.P. McKenna, "The Normative Foundation of Trademark Law," 82 Notre Dame L. Rev. 1839, 1841 (2007). In general, a junior trademark would be deemed infringing a senior trademark if the former resembles the latter in a manner that is likely to cause confusion among consumers as to a connection between the two trademarks, for example, regarding the source of the goods or regarding an authorization by the trademark owner for the activities of the trademark user.

A certain degree of resemblance between competitors' trademarks may, however, be considered justified, for example, in the case of trademarks that are descriptive in nature or in which the accused mark concerns a different description of goods or services. Although each case turns on its own facts, rules have been established over the years to ascertain the degree of resemblance between trademarks that would amount to infringement. Such traditional rules focus on the visually and aurally prominent distinctive elements of the marks.

There is, however, a cloud of uncertainty among the public concerning the extent of "borrowing" from another person's trademark that would amount to illegitimate diversion of goodwill or unlawful use of another's trademark. One reason for this is that jurists have developed strict rules for establishing trademark infringement, while persons who wish to unfairly benefit from the goodwill of another's trademark have adopted highly sophisticated means to circumvent these rules.

Meaning of "Brand": Jurists vs. Marketing Departments—Mind the Gap

While branding concepts and the understanding of consumers' behavior have been continuously studied, developed, and implemented over the past 50 years, trademark infringement rules seem to lag behind. This causes a gap between the meaning of the word "trademark" for jurists and the meaning of the same word when used by marketing and advertising professionals (some make a distinction between the word "brand," which is used more in marketing, and the word "trademark," which is used more in the legal context—but in languages other than English, for example, French or German, such a distinction does not exist).

The tension between the legal concept of trademarks and the concept of trademarks in the eyes of marketing professionals has been acknowledged by Kevin Lane Keller in his book *Strategic Brand Management—Building, Measuring and Managing Brand Equity*. Pearson (2013). Keller makes a distinction between an accepted legal definition of a trademark and the industry's concept of a "brand," and

observes that many practicing managers refer to a brand in a broader sense—as something that has actually created a certain amount of awareness, reputation, and prominence in the marketplace.

The task of marketing managers and advertisers is to increase “brand equity,” which is the value premium that a company realizes from a product with a recognizable name as compared to its generic equivalent. One approach to measuring brand equity is through the “customer-based brand equity” perspective, which relates to the differential effect (positive or negative) that brand knowledge has on customer response to the marketing of that brand. Thus, marketing professionals are focused on the awareness of customers to the brand and the ideas implanted in the minds of consumers in relation to the mark. Such ideas form part of the brand in its broader sense.

The goodwill of a trademark is often referred to as the habit of consumers to choose a product bearing such mark. Such a habit is generally created in consumers’ minds due to extensive effort by the trademark owner. The set of associations implanted in consumers’ minds in connection with a brand constitutes a most valuable asset for the trademark owner; that is, the value of trademarks resides in the minds of customers rather than in the sign or symbol constituting the mark.

A trademark may be regarded as a platform that carries information affecting the consumer’s purchase decision. It is worth noting that the consumer’s reason for purchasing one product and not another is not only rational, but also based on emotional factors, which form part of the set of associations attached to a trademark. Frequently, the emotional factor is the most important element in a brand.

Today, a trademark may be observed as a vehicle that conveys to consumers information related to given products, both on rational and emotional levels. In a society of mass consumption, due to the inherent distance between manufacturer and end-consumer, the role of a trademark is to convey a myriad of messages, promises, assurances, and emotions, emanating from the manufacturer. One speaks today of “brand language” that serves in communication between manufacturer and consumer. Consequently, the interfering with and causing of damage to the communication channel between a manufacturer and its customers may be affected even without using the trademark itself, for example, by referring to a brand ambassador instead of directly mentioning the brand. Nonetheless, a competitor’s unfair use of the associations uniquely attached to a brand may achieve the same results as if the competitor had been using the brand itself.

Employing Gestalt Theory

In some cases the traditional “confusing similarity” tests have proven inadequate for preventing unfair diversion of trade, especially in the context of TV advertisements. To wit, since the goodwill of a brand primarily resides in the minds of consumers, one might be missing the point when concluding whether illegitimate diversion of trade took place, merely by applying a meticulous quantitative “in-vitro” analysis of a given trademark’s components, without addressing more sophisticated forms of imitation such as brand language or brand personality. Utilizing such “soft information” that, for example, is associated with old Brand A, in connection with new Brand B, might invoke in consumers’ minds old Brand A whenever confronted with new Brand B. This may possibly cause a consumer’s feelings that have developed towards Brand A through the years to be projected onto Brand B. The ultimate goal of Brand B’s marketer would thus be to interfere with the set of associations and feelings that, through years of investment, were implanted in the consumer’s mind with respect to Brand A, and divert said set of associations and feelings to Brand B. It is possible that the effect of such use of “soft information” on the consumer’s perception of both brands may be no different than an eventuality in which Brand B actually includes elements of Brand A in a manner likely to cause confusion to public consumers, following traditional tests of trademark infringement.

A good example of a case in which trademark law was applied in a manner that seems overly strict was the 2005 Dutch district court decision in *McDonald’s v. Burger King*. Theo-Willem van Leeuwen, 1 J. *Intell. Prop. L. & Prac.* 1 (2005). In this case a TV advertisement showing a person dressed up as Ronald

McDonald (the clown character used as the primary mascot of the McDonald's fast-food restaurant chain) and buying hamburgers at the competitor's restaurant Burger King was held not to infringe upon the registered trademark of the Ronald McDonald figure due to differences in certain details between the

protagonist of the TV advertisement and the trademark as registered. Although an injunction in this case was eventually granted under the cause of action of unfair competition, when assessing trademark infringement in such cases courts arguably should view the mark as it is perceived in the public mind. Any other approach exalts form over essence, thereby ignoring the rationale of trademark law to prevent illegitimate diversion of trade. To this end, courts may be assisted by well-established theories in psychology dealing with human perception and behavior.

Gestalt psychology is a theory of mind attempting to understand the laws of our ability to acquire and maintain meaningful perceptions in an apparently chaotic world. The central principle of Gestalt psychology is that the mind forms a global whole with self-organizing tendencies. This principle maintains that when the human mind (perceptual system) forms a percept or gestalt, the whole has a reality of its own, independent of the parts. Kurt Koffka, c.f. https://en.wikipedia.org/wiki/Gestalt_psychology. Thus, since in the mind of the consumer "the whole" of a trademark is independent from its component parts, a sophisticated infringer may find a way to "use" a given trademark without using its component parts. In this way, a competitor can cause unfair diversion of trade, through confusion and dilution, merely by adopting the concept underlying a trademark as embedded in the consumers' minds by utilizing, for example, distinguishing circumstances of the senior user, thus taking unfair advantage of the reputation of a trademark, trade name, or other distinguishing marks of a competitor.

An interesting case in this regard was decided by the *Supreme Court of Israel in Unilever Pic v. Eli Segev*. CA 8441/04, IL Sup. 2004. Here, the appellant, who owned trademark registrations in Class 3 with respect to hygiene products comprising a design of a dove (below right), opposed an attempt to register a mark including a different design of a dove with respect to soaps and cosmetics (below left). While the trademark office found no confusing similarity between the marks (shown below):



the Supreme Court held that:

The idea of a dove as symbolizing body-care and hygiene is an idea conceived by Appellant. In causing the idea to penetrate into the market many efforts and resources have been invested, as noted by the Registrar as well. Appellant succeeded in forming in the consumer's mind an image that creates an association . . . The person, who ought to reap the fruits of the image that was coined in the brain of the consumer, is the one who invested the efforts for its forming . . . It seems to me that the case circumstances indicate that Respondent did seek to be built on the back of the appellants and benefit from

the association formed in the mind of the reasonable consumer.

The importance of this ruling is that in order to protect the asset of the trademark owner, the attention should be diverted from the tangible and concrete elements of the trademark to the manner in which such elements are perceived by customers. This approach is referred to herein as the Gestalt-type infringement analysis, which regards the impression of the whole as independent from its component parts.

Conversely, the German Federal Court of Justice in the dispute between Swiss chocolatier Lindt and German sweet manufacturer Haribo (Case I ZR 105/14) found that there was no likelihood of confusion between Lindt's gold-foil-wrapped chocolate bear and Haribo's word mark GOLDBAREN ("gold bears") used with respect to Haribo's famous gummy candies, and thus refused to extend the protection afforded to the word mark "golden bear" to the association of an actual figure of a gold bear. It has been noted that the result would have been different had Haribo registered a 3D trademark with respect to a gold bear.

Indeed, deciding likelihood of confusion solely on the basis of Gestalt infringement may unduly affect the innocent competitors' certainty as to the metes and bounds of the right afforded by a registered trademark. In order to avoid undue adverse effects on the public interest of promoting certainty in the marketplace, somewhat strict and concrete tests should be applied when assessing confusing similarity between marks. Such strict tests should diminish the risk of a competitor not wishing to build upon the goodwill of another finding itself engaged in unforeseeable trademark disputes. Nonetheless, when assessing resemblance between marks, courts should not limit their focus to the technical comparison between competing marks, but rather focus on how the resemblance between the marks would be perceived by customers.

An example of this attitude may be found in a ruling of the Israeli Supreme Court in the matter of *Store Chain of Rami Levy Hashikma Marketing 2006 Ltd v. Barilla Ger Fratelli SpA.*, issued in 2018. LCA 1065.18, LCA 1521.18. In that case, Barilla obtained a temporary injunction against retail company Rami Levy, whereby the latter was ordered to cease marketing pasta under its private label in blue packaging similar to Barilla's own packaging.



Barilla's pasta products



Rami Levy's private-label pasta products

On appeal, the Supreme Court noted that one should refrain from applying too much weight to meticulous, individualized examination of the various visual elements, and that instead focus should be on the general impression the products being examined give, citing a previous ruling (in *Philip Morris*), which stated that “people see and hear [things] holistically.” The Supreme Court thus ruled that Barilla was entitled to protect the **overall impression** created from the **combination** of the visual elements (*the Gestalt*), and that it did not attempt to enjoin use of each element when taken separately. At the same time, the Supreme Court tried to set a restriction on the holistic analysis and refused to base the injunction merely on the similarity of colors. The court cautioned that “colors by their character and nature must remain open to general use . . . and that only in exceptional and extraordinary cases where it is to be proven that the color has become a mark associated with the relevant goods will there be room to restrict the fundamental right to use colors freely.” The Supreme Court issued the injunction based on the tort of passing-off rather than on infringement of an unregistered well-known mark. It was held that Barilla did not lift the burden of proof to show that its goodwill in the packages design amounted to that of a well-known trademark. Nonetheless, it is an established principle under Israeli law that the test for confusing similarity under trademark law and under the tort of passing-off is based on the same elements, namely the three-part test comprising the “look and sound,” the “circle of customers and nature of the goods,” and the “other circumstances,” including the common-sense test.

It’s All in the Ad

The situation is much clearer with respect to circumstances of infringement through advertising, in which the junior user is not innocent, in the sense that its wish to benefit from the marketing efforts of a senior brand owner hardly can be in dispute, especially in cases of denigrating advertisements. In such cases, the weight that should be attributed to Gestalt analysis of trademark use may be much greater, and the enforcement of a “brand” in the broader sense ought to be applied.

In fact, the EU Directive on comparative advertising (Directive 2006/114/EC concerning misleading and comparative advertising in Articles 4(d) and 4(f) does afford protection to a “brand” in the broader sense, namely, according to the meaning of this word among marketing people. These provisions stipulate that comparative advertising shall, inasmuch as the comparison is concerned, be permitted to the extent it does not discredit or denigrate the trademarks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor or does not take unfair advantage of the reputation of a trademark, trade name, or other distinguishing marks of a competitor. The prohibitions on unfair comparative advertising conceptually fall under the realm of unfair competition laws, and trademark infringement in particular.

However, in the European Union (EU), comparative advertising is categorized as a sui generis law, and

sometimes even referred to as unrelated to trademark law. According to EU law, as reflected in the Trade Marks Directive (now Directive (EU) 2015/2436 of the European Parliament and of the Council of December 16, 2015 to approximate the laws of the member states relating to trademarks) and in the EU Directive concerning misleading and comparative advertising (Directive 2006/114/EC/16), there is a distinction between the cause of action of trademark infringement and the cause of action of unfair comparative advertising. These causes of action are not co-extensive and the scope of trademark infringement is limited to situations of likelihood of confusion. Thus, in *O2 v. Hutchison* (Case C 533/06, June 12, 2008), in which both the Trademark Directive (Directive 89/104) and the Comparative Advertisement Directive (Directive 84/450 amended by Directive 97/55) were considered as relevant for examining the lawfulness of an advertisement, the European Court of Justice held that the proprietor of a registered trademark may not assert it against the use by a third party in a comparative advertisement, in which such use does not give rise to a likelihood of confusion on the part of the public, and this is true irrespective of whether or not the comparative advertisement satisfies all the conditions laid down in the Comparative Advertisement Directive.

The EU law seems to provide efficient tools for dealing with unfair use in the advertising of another's brand in the broad meaning of this term, but perhaps it does so by over-restricting the scope of protection of trademarks. In jurisdictions that do not provide for a sui generis comparative advertising law, the solution to the problem may be found in the trademark law as well as other laws governing the field of unfair competition.

In light of the above, attorneys and courts should consider the Gestalt-type infringement analysis in cases where there is a showing of illegitimate diversion of goodwill by adopting the senior brand's language and by unfairly interfering with and distorting the communication between the brand owner and its customers. By acknowledging that consumers perceive "the whole" as independent from the component parts, this theory can assist in establishing trademark infringement.

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This concept was presented by the author for the first time in the framework of PTMG 92nd Conference - March 15th 2016, London, UK.

This article first appeared [here](#) in the INTA Bulletin and was reprinted with permission from the International Trademark Association (INTA).

David Gilat

Adv., Patent Attorney, Senior Partner



David Gilat , attorney at law and patent attorney, is a senior partner at Gilat, Bareket & Co.

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