

Working Guidelines

by Sarah MATHESON, Reporter General
John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General
Yusuke INUI, Ari LAAKKONEN and Ralph NACK
Assistants to the Reporter General

Question 245

Taking unfair advantage of trademarks: parasitism and free riding

Introduction

- 1) This Working Question concerns the taking of unfair advantage of trademarks, which is also commonly referred to as "free riding" or "parasitism". Free riders seek to take advantage of the reputation attached to a third party's trademark, in order to benefit from the attractive force of that trademark, and the efforts expended by the rights holder in creating that attractive force.
- 2) This Working Question does not deal with a second type of protection that may be afforded to reputed or well-known trademarks, being protection against "dilution", which concerns the situation where detriment is (or can be) caused to the distinctive character of a trademark. Dilution was studied in Working Question Q214 – "Protection against the dilution of a trademark" (Paris, 2010).
- 3) Traditionally, a plaintiff has been required to demonstrate a likelihood of confusion in order to succeed in an action against a free rider. Today, trade mark and unfair competition laws in a number of jurisdictions have evolved so as to provide broader protection against free riding.
- 4) Specifically, in some jurisdictions, more recent trademark decisions have not required a likelihood of confusion in circumstances where the public makes a connection between the sign used by the free rider and the trade mark, which connection allows the free rider to take unfair advantage of the reputation of the trade mark. Unfair competition or other laws may also offer some protection against free riding. This is important in jurisdictions where trademark laws do not otherwise provide protection in this regard.
- 5) However, any protection against free riding is not absolute: for example, there may be a justification for the use.
- 6) Although protection against free riding is increasingly invoked in a number of jurisdictions, the exact status of any available protection merits study. It is not always clear whether the protection may be invoked at all, and if so, the requirements for any

protection, the scope of any available protection, and to what extent any changes to the status quo in various jurisdictions may be desirable.

- 7) The topic of free riding or parasitism arose in advance of the Paris Congress (2010) in respect of Working Question Q214, but it was decided that the topic would be studied separately at a later time. This led to a workshop during the Toronto Congress in September 2014 and this present Working Question.

Previous work of AIPPI

- 8) AIPPI has previously studied aspects of the subject matter of this Working Question, or related topics.
- 9) In Q29 – "Trademarks or names with extended protection" (London, 1960; Berlin Congress, 1963), AIPPI studied the protection of well-known marks and considered it desirable that certain well-known marks be protected both against use in respect of the product which they cover, and against use to distinguish any other product. AIPPI resolved that protection should be afforded to trademarks against use or registration by third parties, even in respect of different goods or services, and even if they are not used in the country where protection is sought, when such marks are regarded as enjoying a high reputation and when such registration or use is liable to mislead the public or be harmful to the proprietor of the mark.
- 10) In the Resolution on Q95 – "Non confusing use of another's trademark" (Amsterdam, 1989), AIPPI resolved that, in relation to use of a trademark in comparative advertising:
 - *If comparative advertising is permitted, the use of the trademark of a third party should not be prohibited in such advertising, provided such advertising is truthful and not misleading or unfair.*
 - *Any comparative advertising which is untruthful or misleading or unfair, should be prohibited under the laws against unfair competition.*
- 11) In the same Resolution, AIPPI further resolved that, in the case of commercial use of a trademark by a non-competitor:
 - *If the compared goods are close enough, there could be a risk that the public would assume that the trademark owner has some connection with the advertised goods and therefore confusion as to source could arise.*
 - *If [on the other hand] the citation as a quality standard refers to goods that are quite disparate, so that the public is not likely to believe that the trademark owner is commercially active in the field..., it should be regarded as an act that would take unfair advantage of or be detrimental to the distinctive character or the repute of the trade mark.*
 - *In the latter case, a rule inspired by Art. 5 (5) of the EEC Trade Mark Directive could be adopted*

- 12) In the Resolution on Q100 – "Protection of unregistered but well-known trademarks (Article 6bis of the Paris Convention) and the protection of highly renowned trademarks" (Barcelona, 1990), AIPPI resolved that the owner of a trademark having a reputation should be able to prevent third parties from taking undue advantage of or causing detriment to the distinctive character or reputation of the mark; the scope of such protection may be dependent upon the nature of the mark and the degree of its reputation; trademarks with a high reputation, which possess an autonomous attractive power in themselves, should be entitled to even greater protection.
- 13) In the Resolution on Q115 – "Effective protection against unfair competition under Article 10bis of the Paris Convention of 1883" (Copenhagen, 1994), AIPPI resolved, with reference to the Resolution on Q100, that marks and other distinctive signs having a reputation should be protected against the taking of undue advantage of or causing detriment to their distinctive character or reputation.
- 14) In the Resolution on Q188 – "Conflicts between trademark protection and freedom of expression" (Berlin, 2005), AIPPI resolved that it should in principle be possible to invoke freedom of expression as a defence in trademark cases in exceptional circumstances, for example in the context of critical speech, satire, political discussion and artistic expression; trademark rights on the one hand and the right to freedom of expression on the other hand should then be balanced, taking into account several factors (e.g. the commercial or non-commercial nature of the defendant's use, whether the trademark is unfairly used etc.); as a general rule, freedom of expression should not be a defence where the trademark use would result in a commercial benefit and the parties are competitors.
- 15) In the Resolution on Q195 – "Limitations of trademark rights" (Singapore, 2007), AIPPI resolved that the limitation of the exclusive rights of the trademark owner should be allowed under certain circumstances, but not if the use of another's trademark by a third party e.g. capitalises unfairly on, or takes undue advantage of, the reputation of the trademark.
- 16) In the Resolution on Q210 – "The protection of major sports events and associated commercial activities through trade marks and other IPR" (Buenos Aires 2009), AIPPI resolved that *sui generis* rights for Major Sports Events (as defined) extending beyond the generally applicable rules of trade mark and unfair competition law should be avoided, but that if such *sui generis* rights are created, they should provide a balance between the interests of all relevant parties, including sports governing bodies, organising entities, official event sponsors, other businesses and the public. In particular, such *sui generis* rights should:
 - a) *be limited in time and start a reasonable time before and expire a reasonable time after the Major Sports Event has taken place;*
 - b) *only be infringed where an unfair advantage results from an association with the Major Sports Event;*
 - c) *only be infringed by commercial activities;*

- d) *be subject to a balancing of interests with the right to freedom of expression; and*
 - e) *recognise pre-existing intellectual property rights.*
- 17) The Resolution on Q214 – "Protection against the dilution of a trademark" (Paris, 2010) sets out the requirements that should apply in relation to dilution, distinguishing between blurring and tarnishment, and also resolving that it should be a ground for several types of proceedings to the extent available (opposition, cancellation, nullification, revocation, court proceedings).
 - 18) In 2013, AIPPI adopted Resolution Q234 – "Relevant public for determining the degree of recognition of famous marks, well-known marks and marks with a reputation" (Helsinki, 2013).
 - 19) At the Congress in Toronto in 2014, a workshop titled "Free riding/Parasitism" explored various aspects of free riding with a panel of speakers from China, France, Chile and Canada. The presentations from that workshop are available on the AIPPI website.

Discussion

- 20) Article 6bis of the Paris Convention concerns the protection of well-known marks in the case of identical or similar goods against a reproduction, imitation or translation that may create confusion. Article 16 of TRIPS states that Article 6bis of the Paris Convention also applies (i) in case of services and (ii) in case of dissimilar goods or services, if the use indicates a connection with the owner of the registered trademark, and if the interests of the owner of the registered trademark are likely to be damaged.
- 21) The WIPO "Joint recommendation concerning provisions on the protection of well-known marks" (1999) includes the following provision:

4(b) Irrespective of the goods and/or services for which a mark is used, is the subject of an application for registration, or is registered, that mark shall be deemed to be in conflict with a well-known mark where the mark, or an essential part thereof, constitutes a reproduction, an imitation, a translation, or a transliteration of the well-known mark, and where at least one of the following conditions is fulfilled: (...) (iii) the use of that mark would take unfair advantage of the distinctive character of the well-known mark.

- 22) In the European Union (**EU**), Article 5(2) of the Trademark Directive (2008/95/EC), which is reflected in Article 9(1)(c) of the Community Trademark Regulation, provides:

Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

- 23) In the *L'Oréal/Bellure* decision (C-487/07), the European Court of Justice clarified that the taking of unfair advantage does not require a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage is unfair, if the intention is to *"ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image"*.
- 24) There have also been several decisions on dilution in the EU which may be relevant. However, their impact on the "taking of unfair advantage" ground remains to be seen. In particular, it is debatable whether evidence of a change in the economic behaviour of the average consumer of the goods or services for which the earlier mark was registered must be presented. This element, discussed in the judgements of the Court of Justice of the European Union in the *Intel* and *Wolf* cases (C-252/07 resp. C-383/12), may also be required (see e.g. High Court of Justice (England & Wales) 31 January 2014, [2014] EWHC 110(Ch) (*Jack Wills/House of Fraser*)).
- 25) In several jurisdictions, it seems that the taking of unfair advantage is actionable both under trademark law and other laws, such as unfair competition law (e.g. China), trade dress or ambush marketing laws. Notably, Article 10bis of the Paris Convention requires effective protection against unfair competition, which is stated to comprise any act of competition contrary to honest practices in industrial or commercial matters.
- 26) In the United States (**US**), free riding has on occasion been classified as a type of dilution (actionable under the Trademark Dilution Revision Act/Lanham Act). In addition, an action against free riding can be taken if there is also confusion with a registered trademark, or misrepresentation.

Scope of this Working Question

Definition

- 27) This Working Question concerns the taking of unfair advantage of trademarks, also referred to as "free riding" or "parasitism". In these Working Guidelines, these terms are used as synonyms, and are used as defined terms to denote the use of a third party trademark in circumstances where advantage is taken of the reputation (or distinctive character¹) of that third party trademark, and in a manner which is unfair.
- 28) Notably, the definition as used in these Working Guidelines does not include "dilution", which generally concerns the situation where detriment is (or may be) caused to the distinctive character of a trademark. However, if in your jurisdiction the taking of unfair advantage of a trademark is characterised as a type of dilution (which

¹ Arguably, there is a difference between taking of unfair advantage of the reputation (e.g. *"The Rolls Royce of Korean cars"*) and taking advantage of the distinctive character of a trademark (e.g. *"With us, skyping is easier"*), although the two types can overlap. These examples are taken from Ch. Gielen (ed.), *Kort begrip van het intellectuele eigendomsrecht* (Deventer 2014), p. 310.

may, for example, be the case in the US), please state this, and your response should then only deal with that type of "dilution".

Ground for action

- 29) An important question is whether an action based on free riding can be taken under trademark law, unfair competition law and/or on some other basis. A logical follow-up question is what the requirements are for an action based on free riding, and what other factors (if any) may be relevant.
- 30) A likely requirement will be a certain level of reputation of the trademark at issue. However, the question of what constitutes the relevant public as such is outside the scope of this Working Question. As noted above, this topic was recently studied and was the subject of the Resolution on Q234 (Helsinki, 2013). Also as noted above, the protection of major sports events and associated commercial activities was recently studied in Q210 (Buenos Aires, 2009) and is therefore as such outside the scope of this Working Question. Therefore, if either of those aspects is relevant to your response in relation to any specific type of action, your response need only state this, but not elaborate on it.

Limitations/defences

- 31) This Working Question aims to explore the potential limitations to any protection against free riding, and any available defences to an allegation of free riding. For example, there may be situations where the use complained of is justified and/or qualifies as fair use, descriptive use, comparative advertising, use with "due cause"² and/or parody. These issues have to some extent already been canvassed in other Working Questions. See in particular Q188 (Berlin, 2005) and Q195 (Singapore, 2007) noted above. However, those Working Questions focused on trademark protection, whereas the present Working Question aims to explore other grounds for action.

Types of proceedings

- 32) This question also explores the types of proceedings in which free riding may be invoked. However, the available relief including injunctions, damages and other remedies is in general outside the scope of this question. Various forms of relief have been studied separately, and AIPPI has passed a number of resolutions in this regard³.

² According to the Court of Justice of the European Union, "due cause" can relate not only to objectively overriding reasons but also to the subjective interests of a third party using a sign which is identical or similar to the mark with a reputation. Thus, it can e.g. apply in case of use by a third party, if it is demonstrated that that sign was being used before that mark was filed and the use of that sign in relation to the identical product is in good faith (*Red Bull/Leidseplein*, C-65/12). Another example of application of "due cause" can be seen in cases where freedom of expression is invoked.

³ See for example the Resolution on Q71 – "Assessment of damages for patent infringements" (Toronto 1979), Q80 – "Trademarks and consumer protection" (Paris 1983), Q86 – "Measures against counterfeiting of branded goods" (London 1986), Q134 – "Enforcement of intellectual property rights TRIPS" (Rio de Janeiro 1988), Q186 – "Punitive damages as a contentious issue of IP Rights" (Berlin 2005), Q203 – "Damages for infringement, counterfeiting and piracy of trademarks" (Boston 2008), Q204 – "Liability for contributory infringement of IPRs" (Boston 2008), 204P – "Liability for contributory

You are invited to submit a Report addressing the questions below. Please refer to the 'Protocol for the preparation of Reports'.

Questions

I. Current law and practice

- 1) Do the laws of your jurisdiction provide for protection against:
 - a. the taking of unfair advantage of trademarks as defined in these Working Guidelines (see paragraphs 26) and 27) above); and/or
 - b. use that you consider similar but outside the scope of the definition in these Working Guidelines?

For the questions below, if b. applies either separately or in addition to a., please make that clear in any relevant answer.

- 2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.
- 3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?
- 4) What are the elements of any available cause of action, e.g. the requirement for the trademark to be registered, reputation in the trademark, establishment of a link or association with the trademark, bad faith, change in the economic behaviour of consumers, actual advantage, potential future advantage? How are they proven?
- 5) Further to question 4):
 - a. what degree of reputation, if any, in the trademark is required?
 - b. who bears the burden of proof regarding the requirements?
 - c. must the use at issue cause confusion? If so, what degree of confusion is required, e.g. actual confusion, a likelihood of confusion and/or initial interest confusion⁴?

infringement of IPRs - certain aspects of patent infringement" (Boston 2008), Q214 – "Protection against the dilution of a trademark" (Paris, 2010), Q215 – "Protection of trade secrets through IPR and unfair competition law" (Paris 2010), Q219 – "Injunctions in cases of infringement of IPRs" (Hyderabad 2011), Q236 – "Relief in IP proceedings other than injunctions or damages" (Helsinki, 2013).

⁴ Initial confusion which has been resolved at the time of purchase.

- d. can the protection be invoked in case of both similar and dissimilar goods/services?
 - e. are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?
- 6) Are there any defences against and/or limitations to the protection? If so, what are they, and what are the elements of such defences/limitations?
- 7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31) above and footnote 2)? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?
- 8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?
- 9) Can the protection be invoked in:
- a. court in civil proceedings;
 - b. court in other proceedings, and if so what other proceedings (e.g. criminal proceedings);
 - c. opposition proceedings;
 - d. any other, and if so what, proceedings?
- 10) If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.

II. Policy considerations and proposals for improvements of the current law

- 11) Should there be protection against:
- a. the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
 - b. use that is similar but outside the scope of the definition in these Working Guidelines?

Why/why not?

- 12) Is the basis for protection or the cause of action relevant? Why/why not?
- 13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above? Why/why not?

- 14) How can your current law as it applies to the taking of unfair advantage of trademarks and/or the interpretation thereof (in particular, in case law) be improved?

III. Proposals for harmonisation

- 15) Is harmonisation in this area desirable?

If yes, please respond to the following questions without regard to your national or regional laws.

Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

- 16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

- 17) Should there be harmonisation of the definition of:

- a. the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
- b. use that you consider similar but outside the scope of the definition in these Working Guidelines?

If so, please provide any definition you consider to be appropriate.

- 18) What should the basis for protection/cause(s) of action be?

- 19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors:

- a. what level of reputation, if any, in the trademark should be required; and
- b. who should bear the burden of proof?

- 20) What defences against and/or limitations to the protection should be available? Please state the proposed requirements for any defence/limitation, and the effect of any defence/limitation.

- 21) Who should bear the burden of proof in respect of any defences and/or limitations?

- 22) In what type(s) of proceedings should it be possible to invoke the protection?

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.