

Question Q245

National Group: TAKING UNFAIR ADVANTAGE OF TRADEMARKS: PARASITISM AND FREE RIDING

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SCOPE 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 character) of that third party trademark, and in a manner which is unfair.

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

QUESTIONS

I CURRENT LAW AND PRACTICE

Question (1)(a) Do the laws of your jurisdiction provide for protection against: the taking of unfair advantage of trademarks as defined in the Working Guidelines?

Answer: Yes, both Benelux law and EU law, respectively article 2.20(1)(c) and article 2.20 (1)(d) of the Benelux Convention on Intellectual Property ("BCIP") and article 9(1)(c) of the Community Trade Mark Regulation ("CTMR") provide for protection against the taking of unfair advantage of trademarks.

In so far as the taking of unfair advantage of trade marks constitutes an act of competition contrary to honest practices in industrial or commercial

matters it may also constitute an act of unfair competition (art 6:162 Dutch Civil Code)

Question (1)(b) Do the laws of your jurisdiction provide for protection against use that you consider similar but outside the scope of the definition in these Working Guidelines?

Answer: Dutch law, article 2.20 (1)(d) BCIP, provides protection against the use of a sign other than for the purposes of distinguishing goods or services, 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. Article 2.20(1)(d) does not require use in the course of trade.

In addition, Dutch law provides protection against other forms of unlawful use of another's trademark, which may include use that causes the user to take unfair advantage of the trademark's repute and which causes damage to the trademark owner. Protection is also afforded to the trademark owner if the unfair advantage results from the (implicit or explicit) reference to a competitor's trademark in comparative advertising.

Question 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 characterized as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterization.

Answer The protection is commonly (yet informally) referred to as protection against 'free riding', 'parasitism' or 'coat-tail riding' (the latter being based not on a statutory provision, but on the wording used by the CJEU in its L'Oréal v Bellure judgment, CJEU C-487/07).

Question 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?

Answer The protection against the taking of unfair advantage of trademarks as set out in Question 1 (a) above is based on trademark law. For Benelux trademarks, the relevant provisions are articles 2.20(1)(c) and 2.20(1)(d) BCIP (which implements article 5(2) Directive 2008/95/EC and, for Community Trade Marks, it is article 9(1)(c) CTMR.

Unregistered trademarks do not enjoy the protection under the BCIP or the CTMR. Unregistered well-known marks do enjoy protection, however, under article 6bis of the Paris Convention (cf. para 20 of the Working Guidelines).

Depending on the circumstances of the matter other causes of action may also be available:

Unfair competition

The protection against similar use referred to in Question (1)(b) is based on general on article 6:162 Dutch Civil Code, which provides protection against unlawful acts, including unfair competition. Product appearance (so-called ‘slavish imitation’), advertising properties and/or corporate identity in combination with certain logos and any other sign cetera that is known to the public may be used by a competitor in order to free ride on and/or take unfair advantage of the repute of the signs.

The free riding or taking unfair advantage of another party’s sign per se is not prohibited under the tenet of unfair competition The use of another party’s sign may, though, constitute an unlawful act under article 6:162 CC, particularly in the event that the copying of the sign causes a risk of (avoidable) confusion with the public. According to case law, this depends on the originality of the copied sign, the nature of the products and companies involved and the composition of the public for which the products are destined. This concept is mainly used for signs that are not registered as a trademark (and that therefore do not enjoy protection under the BCIP or under EU trade mark law). Examples of such case law are: Court of Appeal Den Bosch 30 October 1990, BIE 1992, 17 (Alcina/Bolure); Court of Appeal The Hague 27 May 1999, BIE 1999, 248 (Für Elise); and Court of District The Hague 23 November 2005, BIE 2006, 366 (Double A/Triple A).

Comparative advertising

Comparative advertising means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor. Comparative advertising shall, as far as the comparison is concerned, be permitted when inter alia it (a) does not discredit or denigrate the trademarks, trade names or other distinctive signs, goods, services, activities, or whatsoever of a competitor; and/or (b) does not take unfair advantage of the repute of a trademark, trade name or other distinctive sign of a competitor or of the designation of origin of competing products (article 6:194a CC).

Question 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?

Answer

In the event of an action against freeriding based on trade mark law, article 2.20 (1)(c) BCIP requires the following elements to be present: (a) a registered trademark; (b) no consent was provided by the proprietor of the mark; (c) use in the course of trade; (d) the sign must be identical or similar

to the trademark; (e) the goods or services in relation to which the sign is used are either similar or dissimilar to those for which the trademark is registered; (f) the trademark enjoys a reputation in the Benelux; (g) the use of the sign is without due cause.

Question 5(a) What degree of reputation, if any, in the trademark is required?

Answer The trade mark must be known by a significant part of the public concerned by the products or services which it covers. For the Benelux, it may suffice if the trademark is known by a significant part of the public concerned in a part of one of the Benelux countries (CJEU 14 September 1999, Chevy, C-375/97, §§ 29 and 31).

Question 5(b) Who bears the burden of proof regarding the requirements?

Answer The plaintiff is required to substantiate his claim and has the burden of proof in respect of allegations that are sufficiently contested with reasons by the defendant, articles 149-150 Dutch Code on Civil Proceedings (“DCCP”).

Question 5(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 confusion?

Answer No, likelihood of confusion is not required. It is sufficient that the relevant public establishes a link between the sign and the trademark (CJEU 18 June 2009, L’Oréal/Bellure, C-487/07, § 36).

Question 5(d) Can the protection be invoked in case of both similar and dissimilar goods/services?

Answer Yes, see article 16(3) TRIPS (addressing well-known marks ex article 6 bis UvP) and CJEU 9 January 2003, Davidoff / Gofkid, C-292/00, § 30).

Question 5(e) Are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

Answer No such other factors, even not as a separate requirement, are relevant.

Question 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?

Answer Possible defences or limitations on protection against free riding are:

(a) due cause, either objective or subjective interests (see CJEU 6 February 2014, Leidseplein beheer / Red Bull, Case C-65/12, par. 45);

- (b) the defences set out in article 6 Directive 2008/95/EC (and articles 2.23 BCIP and 12 CTMR);
- (c) comparative advertising in accordance with Directive 2006/114/EC (see CJEU 12 June 2008, 02/Hutchison, Case C-533/06);
- (d) freedom of expression. Freedom of expression may in certain situations be a defence. Examples are critical speech, satire, political discussion and artistic expression. [rechtspraak voorbeelden benoemen] (See also article 17 TRIPs)

Question 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”? If so, can such use ever be “unfair”? Or is this just a matter of a shifted burden of proof?

Answer The defendant (the party invoking these absolving defences). If the court finds ‘due cause’ this presupposes that no unfair advantage of the trademark is taken.

Question 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?

Answer A possible defense is that one had due cause to use the mark. The concept of 'due cause' (as set out before) may not only include objectively overriding reasons but may also relate to the subjective interests of a third party using a sign which is identical or similar to the mark with a reputation (CJEU, 6 February 2014, Leidseplein Beheer BV and Hendrikus de Vries/Red Bull GmbH and RedBull Nederland BV, C-65/12, paragraph 45).

The concept of 'due cause' is intended (i) not to resolve a conflict between a mark with a reputation and a similar sign which was being used before that trade mark was filed or (ii) to restrict the rights which the proprietor of the mark is recognized as having, but to strike a balance between the interests in question by taking account and in the light of the enhanced protection enjoyed by that mark, of the interests of the third party using that sign.

In so doing, the claim by a third party that there is due cause for using a sign which is similar to a mark with a reputation cannot lead to the recognition, for the benefit of that third party, of the rights connected with a registered mark, but rather obliges the proprietor of the mark with a reputation to tolerate the use of the similar sign.

In order to determine whether the use by a third party, before a trade mark with a reputation was filed, of a sign similar to that mark may constitute 'due cause', within the meaning of Article 5(2) of Directive 2008/95, and justify the fact that that third party takes advantage of the repute of that mark, the referring court must carry out an assessment, taking into account, in particular, two factors (CJEU, 6 February 2014, *Leidseplein Beheer BV and Hendrikus de Vries/Red Bull GmbH and RedBull Nederland BV*, C-65/12, paragraph 53).

In the first place, such an assessment requires a determination as to how that sign has been accepted by, and what its reputation is with, the relevant public. In the second place, it is necessary to examine the intention of the person using that sign.

Where a sign has been used prior to the registration of a mark with a reputation in relation to services and goods which may be linked to the product for which that mark has been registered, the use of that sign in relation to that latter product may appear to be a natural extension of the range of services and goods for which that sign already enjoys a certain reputation with the relevant public.

Secondly, the greater the repute of the sign used, prior to the registration of a similar mark with a reputation, for a certain range of goods and services, the more its use will be necessary for the marketing of a product identical to that for which the mark was registered, a fortiori as that product is close, by its nature, to the range of goods and services for which that sign was previously used.

The proprietor of a trade mark with a reputation may be obliged, pursuant to the concept of 'due cause' within the meaning of that provision, to tolerate the use by a third party of a sign similar to that mark in relation to a product which is identical to that for which that mark was registered, if it is demonstrated that that sign was being used before that mark was filed and that the use of that sign in relation to the identical product is in good faith. In order to determine whether that is so, the national court must take account, in particular, of:

- (a) how that sign has been accepted by, and what its reputation is with, the relevant public;
- (b) the degree of proximity between the goods and services for which that sign was originally used and the product for which the mark with a reputation was registered; and
- (c) the economic and commercial significance of the use for that product of the sign which is similar to that mark.

Question 9(a)

Can the protection be invoked in court in civil proceedings?

- Answer Protection against the taking of unfair advantage of a Benelux or a Community Trade Mark can be invoked in civil proceedings.
- Question 9(b) Can the protection be invoked in court in other proceedings, and if so what other proceedings (e.g. criminal proceedings)?
- Answer Protection against the taking of unfair advantage of a Benelux or a Community Trade Mark cannot be invoked in any other court proceedings.
- Question (9)(c) Can the protection be invoked in opposition proceedings?
- Answer Protection against the taking of unfair advantage of a Benelux trade mark cannot be invoked in Benelux opposition proceedings (one can oppose another party's application for a Benelux mark on limited grounds only). Protection against the taking of unfair advantage of a Community Trade Mark on the other hand can be invoked in opposition or invalidity proceedings before the OHIM opposition division.
- Question (9)(d) Can the protection be invoked in any other, and if so what, proceedings?
- Answer Protection against the taking of unfair advantage of a Benelux or a Community Trade Mark can be invoked in arbitral proceedings or in UDRP proceedings on domain names. In addition protection against the taking of unfair advantage of a Community Trade Mark can be invoked in invalidity proceedings before the OHIM cancellation division.
- Question 10 If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
- Answer In principle the protection may be invoked in multiple proceedings. The provisions that will be invoked will be the same and therefore the requirements for enforcement are the same.
- It may occur though that one or the other set of proceedings will be suspended depending until another set of proceedings is finished.

II POLICY CONSIDERATIONS AND PROPOSALS FOR IMPROVEMENTS OF THE CURRENT LAW

- Question 11(a) Should there be protection against the taking of unfair advantage of trademarks as defined in the Working Guidelines?
- Answer Yes, to the extent defined in the law and the present body of case law.

Question 11(b) Should there be protection against use that is similar but outside the scope of the definition in the Working Guidelines?

Answer The group is satisfied with the current level of protection and sees no compelling reasons to add to the current level of protection.

Question 12 Is the basis for protection or the cause of action relevant? Why/why not?

Answer As far as protection of trade marks is concerned it is relevant that protection is provided by trade mark law.

Question 13 Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above? Why/why not?

Answer Yes, save for criminal proceedings. In addition the group believes that it may be useful if article 2.20(1)(c) can be invoked in opposition proceedings (contrary to current practice).

Question 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?

Answer As set out under (13) the group believes that it may be useful if article 2.20(1)(c) can be invoked in opposition proceedings (contrary to current practice).

III PROPOSALS FOR HARMONISATION

Question 15 Is harmonisation in this area desirable?

Answer In Europe the Benelux is the only (trade mark) jurisdiction that has a provision (article 2.20(1)(d) BCIP) permitted under article 5(5) Directive 2008/95/EC. The Group sees no compelling reason for the Benelux to drop article 2.20(1)(d). It notes that the level of protection offered under the doctrine of unfair competition appears to narrower than elsewhere in Europe, providing another reason to retain 2.20(1)(d) BCIP. As to jurisdictions outside the European Union the group has no knowledge of situation that require for a need to harmonise.

Question 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?

Answer Not applicable in view of the answers given under 11(a) and 11(b).

- Question 17(a) Should there be harmonisation of the definition of the taking of unfair advantage of trademarks as defined in these Working Guidelines.
- Answer The group believes that the definition and/or current interpretation thereof in case law provides sufficient guidance. There is no immediate need to amendment of any laws.
- Question 17(b) Should there be harmonisation of the definition of use that you consider similar but outside the scope of the definition in these Working Guidelines? Guidelines.
- Answer The group believes that the definition and/or current interpretation thereof in case law provides sufficient guidance. There is no immediate need to amendment of any laws.
- Question 18 What should the basis for protection/cause(s) of action be?
- Answer Not applicable in view of the answers given before.
- Question 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 who should bear the burden of proof?
- Answer The group is satisfied with the status quo: (a) requirements as to reputation; and (b) burden of proof.
- Question 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.
- Answer The group is satisfied with the status quo.
- Question 21 Who should bear the burden of proof in respect of any defences and/or limitations?
- Answer The group is satisfied with the status quo.
- Question 22 In what type(s) of proceedings should it be possible to invoke the protection?
- Answer The group is satisfied with the status quo.