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## Q245

### Taking unfair advantage of trademarks: parasitism and free riding

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## 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

yes

Please comment:

According to the Industrial Property Act (The Official Gazette of the Republic of Slovenia no. 51/06 with amendments, *Zakon o industrijski lastnini*, "**ZIL-1**") the holder of trademark is entitled to prevent third parties without his consent from, among others, using in the course of trade any sign, identical with or similar to the trademark, for goods or services which are not similar to those covered by the trademark, if the trademark has a reputation in Republic of Slovenia and if the use of such sign without due causes would take advantage of, or is detrimental to, the character or reputation of the trademark (protection against free riding in form of **prevention of further use**). ZIL-1 also offers protection to reputed trademarks in the form of relative ground for refusal of later trademark. Namely, a sign which is identical with, or similar to, an earlier trademark registered for goods or services, which are not similar to those covered by the trademark, can not be registered if the use of such sign would without due cause take advantage of, or be detrimental to, the distinctive character or reputation of the earlier trademark or if the use of such sign would indicate association between goods or services and the holder of earlier trademark which could harm the interests of the holder of earlier trademark (protection against free riding in form of **opposition against registration**).

Furthermore, under the Protection of Competition Act (The Official Gazette of the Republic of Slovenia no. 18/93 with amendments, *Zakon o varstvu konkurence*, "**ZVK**") prohibits the acts of companies in the market which are against good business practices and could cause damage to other participants in the market. The scope of protection under both, ZIL-1 and ZVK corresponds to the definition in these Working Guidelines.

Consumer Protection against Unfair Commercial Practices Act (The Official Gazette of the Republic of Slovenia no. 53/07, *Zakon o varstvu potrošnikov pred nepoštenimi poslovnimi praksami*, "**ZVPNPP**") also touches upon

this subject. Namely, among the misleading practices which are always considered unfair, it also lists an act of the company, presenting a product which is similar to the product of another producer, so as to mislead the consumer into thinking that the product was in fact produced by that other producer, although that is not true.

Also, Companies Act (The Official Gazette of the Republic of Slovenia no. 65/09 with amendments, *Zakon o gospodarskih družbah*, "**ZGD-1**") prohibits names of companies containing renowned trademarks and services marks of other beneficiaries. Although free riding in the sense of definition in the Working Guidelines could also constitute a breach of these latter two provisions, these two legal bases are not within the scope of this Working Question considering the framework described in the introduction to this section of questions.

Additional legal basis offering protection from trademark infringement is the Criminal Code (The Official Gazette of the Republic of Slovenia no. 50/12 with amendments, *Kazenski zakonik*, "**KZ-1**"). Pursuant to the Criminal Code, whoever, while engaging in economic activities, uses another's trade mark or whoever uses particular components of another's mark in his own trade name, brand, or other mark of goods or services shall be sentenced to imprisonment up to three years.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

no

Please comment:

N/a

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.

Such protection under trademark law is referred to as extended trademark protection. The other forms of protection which stem from the legal bases indicated in our answer to the question under 1) do not have any specific name. The definition is based on the statutory provisions as described above. The protection under ZIL-1 is characterised as a form of protection against dilution since the same provisions of ZIL-1 cover both, dilution and free riding. Namely, the relevant provision regarding prevention of further use reads that the holder of trademark may prevent the use of sign which would *take advantage* of his trademark *or would be detrimental* to the reputation and character of the trademark. Similarly, the provision regarding opposition against registration includes *taking advantage of, or being detrimental to*, the distinctive character or reputation of the earlier trademark.

The ZVK, i.e. the law on unfair competition, in its general clause would cover both, free riding and dilution. The provisions of ZVPP and ZGD-1, on the other hand, do not refer to free riding (taking unfair advantage) nor to dilution (to the detriment of the trademark).

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?

Legal bases for protection are (i) trademark law, (ii) unfair competition law, (iii) protection against unfair commercial practices and (iv) corporate law, as described in more detail under answer 1). In addition, action could be taken against free rider by virtue of the (v) criminal law. See also response under 10).

1. trademark law (ZIL-1): only registered trademarks are protected;

2. unfair competition law (ZVK): both, registered trademarks and unregistered signs are protected, since using unregistered sign could be an act which is contrary to good business practices and may cause damage to another participant in the market. As such, the use of unregistered sign can fall within the general clause of unfair competition and may thus also be qualified as an act of unfair competition.
3. protection against unfair commercial practices (ZVPNPP): the law does not differentiate between registered and unregistered trademarks, but merely refers to products of another producer.
4. corporate law: known trademarks and service marks are protected, the law does not explicitly state that they should be registered.
5. criminal law.

While it is true that action against taking advantage of a trademark can be taken on several legal basis, there is not any specific interaction between these courses of action.

- 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?

In this response we shall focus on the causes of action under the trademark law (ZIL-1) and unfair competition law (ZVK), whereas unfair commercial practices (ZVPNPP) and the use of renowned signs under corporate law (ZGD-1) will be left aside since they are not within the scope of the Working Question. The answer to question on how the elements are proven is in the brackets following each respective element of cause of action.

**Under ZIL-1** and in the framework of extended trademark protection for prevention of further use, the elements of holder's cause of action to prevent third party from using a certain sign are:

- the trademark has a reputation in Republic of Slovenia. (on how this requirement is proven, please see our response under 5) a.)
- the sign in question is identical with or similar to the trademark, (There is no criteria for determining similarity in the law. However, the rules on likelihood of confusion may be applied to some extent, but it should be taken into account that no likelihood of confusion is required for extended protection. In the doctrine, one author states that the criteria should be that consumers consider both sign as "practically the same"; this means that the degree of similarity must be higher than in the framework of assessing the likelihood of confusion)
- the sign in question is to be used in course of trade (Criteria for course of trade is whether the person is subject to market rules. Also, the course of trade is an activity (usually) in return for payment with the aim to acquire market share.)
- the use of such sign would without due cause:
  1. be detrimental to distinctive character of the trademark,
  2. take advantage of distinctive character of the trademark,
  3. be detrimental to reputation of the trademark, or
  4. take advantage of reputation of the trademark.

Extended protection in the context of opposition against registration differs slightly in the elements of cause of action. Namely, the element of *course of trade* does not apply. The remaining elements correspond to those above and additional two requirements apply:

- such use would indicate association between goods or services and the holder of earlier trademark, and
- such use could harm the interests of the holder of earlier trademark.

**Under ZVK**, the elements of cause of action, i.e. of proving that the use constitutes an act of unfair competition are:

- the act of the company occurs on the market,
- it is contrary to good business practices,
- causes or could cause damage to other participants on the market.

These elements are elements of the general clause on unfair competition. In addition thereto, the law also lists a few acts which are in particular to be considered as acts of unfair competition. Among those, the list contains (i) the sale of goods with labels or information which create or could create confusion regarding origin, manufacture, quantity, quality or other characteristics of the goods; and (ii) unauthorised use of name, trademark or other sign of the company, regardless of whether the company has given its consent, if this could create confusion in the market.

5) Further to question 4):

a) what degree of reputation, if any, in the trademark is required?

The degree of reputation of trademark required for extended trademark protection is not set out in the law. In their assessment of whether the trademark has sufficient reputation to benefit from the extended protection, the courts refer to the quantitative and qualitative criteria set in the *Chevy* judgment of the CJEU (C-39/97), such as market share held by the trademark, the intensity, the geographical extent and duration of its use, and the size of the investment made by the undertaking in promoting it. One judgment also indicates market research showing degree of awareness of the trademark in public and examples of promotional material as valid proof for reputation of the trademark.

b) who bears the burden of proof regarding the requirements?

Holder of the trademark must prove all abovementioned requirements.

c) must the use at issue cause confusion?

no

Please comment:

If the holder of trademark wants to prevent further use of a sign by a third party, there is no requirement in ZIL-1 that such sign causes confusion. If, however, the holder undertakes the cause of action in opposition against the registration of a new trademark (relative ground for refusal), one of the conditions is that the use of new sign/trademark would indicate association with goods or services of the holder of earlier trademark. There is no requirement of confusion or likelihood of confusion though.

d) can the protection be invoked in case of both similar and dissimilar goods/services?

yes

Please comment:

Yes, protection can be invoked in case of both similar and dissimilar goods/services. Although according to the wording of ZIL-1 extended protection (to prevent further use and in opposition against registration) covers only dissimilar goods/services, it follows from the case law of CJEU, which is binding for Slovenian courts, that such protection applies in case of similar goods and

services as well (case *Davidoff & Cie SA and Zino Davidoff SA v. Gofkid*, C-292/00, and case *Adidas - Salomon and Adidas Benelux v Fitnessworld*, C-408/01).

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

N/a

6) Are there any defences against and/or limitations to the protection?

yes

If so, what are they, and what are the elements of such defences/limitations?:

ZIL-1 does not specifically provide for a defence and/or limitation, other than those which can be discerned from the elements of course of action as described under response 4). On these grounds, for the free rider to successfully defend further use of his sign, he can claim that (i) the trademark he is allegedly infringing does not have a reputation in Slovenia, (ii) the sign is neither identical nor similar to the trademark, (iii) he does not use the sign in course of trade, (iv) he had due cause, (v) he did not take advantage of, nor was the use detrimental to, the distinctive character or reputation of the trademark. In the process of registration of a new trademark, he may contend that no relative grounds for refusal exist on that basis, since (i) the sign is neither identical nor similar to the trademark, (ii) he has due cause, (iii) the sign does not take advantage of, or is detrimental to, the earlier trademark, (iv) the use of the sign does not indicate an association of the goods and services with the holder of earlier trademark or such use cannot be detrimental to interests of the holder of earlier trademark. As all these elements except *due cause* are affirmative and must be proven by the trademark holder, the only actual defence left to the alleged infringer is to prove that he had had due cause to act as he did and take advantage of the trademark with reputation.

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 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

*Who bears the burden of proof in relation to any defences and/or limitations?*

If the free rider contends that he had due cause, he bears the burden of proof.

*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 of the introduction) above and footnote 2) of the introduction?*

"Due cause" can be a defence.

*If so, can such use ever be "unfair"?*

Slovenian law does not require that taking the advantage is unfair. When interpreted in light of the directive, however, and taking into account obligation of harmonious interpretation, the courts would most likely require that the advantage taken is unfair. To our knowledge, there has been no case law on this question. In academia, however, it has been stated that freedom of expression and freedom of artistic creation could constitute "due cause". The same goes for advertising services which refer to repair and maintenance of prestigious cars, as was the case in the Opinion of the AG Jacobs in the matter *BMW* before the CJEU.

*Or is this just a matter of a shifted burden of proof?*

It is a matter of 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?

*If a defence exists or only limited protection is available, what rights does that give the free rider?*

If the trademark holder does not succeed in his cause of action to prevent further use of the sign of free rider or to prevent registration of the new trademark in opposition proceedings, then the free rider can continue using the sign in question and, respectively, continue registration proceedings for the new trademark.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

b) court in other proceedings;

yes

if so what other proceedings (e.g. criminal proceedings):

Yes, in criminal proceedings.

c) opposition proceedings;

yes

Please comment:

d) any other?

yes

if so what, proceedings?:

On the basis of ZVK or ZVPNPP, protection can also be invoked in proceedings before the Market Inspectorate.

10) If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.

Protection can be invoked against free riders in multiple proceedings. The material bases for each such cause of action are explained in response 1).

1. ZIL-1: requirements were described in our response to question 4).
2. ZVK: requirements for protection against free riders under the unfair competition law are (i) that a company has acted while engaging in the market, (ii) contrary to good business practices, and that (iii) free riding causes or could cause damage to other participants in the market.

3. ZVPNPP: if a free rider is presenting a product which is similar to the product of another producer, so as to mislead the consumer into thinking that the product was in fact produced by that other producer, although that is not true, that constitutes an unfair commercial practice. If Market inspector finds that a company is using such commercial practice to the detriment of consumers, the inspector is entitled to prohibit further use of such commercial practice.
4. KZ-1: requirements for criminal liability of the free rider are (i) engagement in economic activity, (ii) use of another's trade name, brand, geographical indication, or another special mark for goods or services, or the use of particular components of another's mark in his own trade name, brand, or other mark of goods or services, (iii) intent of the free rider to use another's trademark without authorization.
5. ZGD-1: If name of a company contains well-known trademarks and service marks of another company, this other company is entitled to claim that the use of such name is omitted, deleted from the registry as well as damages by virtue of rules on protection of company's name in ZGD-1.

## 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

yes  
Why?:

b) use that is similar but outside the scope of the definition in these Working Guidelines?

no  
Why not?:

The reason why protection should be extended to trademarks with reputation so as to cover unfair advantage of trademarks lies in the basic point that trademarks, and even more trademarks with reputation, serve as identifiers of source and quality. Unauthorized use of trademarks by third parties whose goods or services do not conform to the quality and source of those goods and services who legally carry the trademarks, can distort the market and cause prejudice not only to the owners of the trademarks but also to consumers who rely on the trademarks.

12) Is the basis for protection or the cause of action relevant?

yes  
Why?:

The basis for protection is relevant since different laws protect different legal values and have different scope. Trademark law (ZIL-1) protects holders of registered trademarks. If their mark enjoys a certain reputation the extended protection applies. Invoking protection on the basis of unfair competition law (ZVK) could, on the other hand, cover also the use of non-registered sign of another company although criteria to invoke protection is higher since it must be proven that such use is contrary to good business practices and that it could cause damage to the other company. Criminal law (KZ-1) again has a different, punitive function which aims more at punishing the person who committed the offence rather than protecting the trademark holder and his seamless use of trademark. Further, the law on protection of consumers from unfair commercial practices (ZVPNPP) offers basis for action in order to protect consumers, which could prove necessary if for some reason the trademark holder himself did not want to pursue other legal options against the free rider but interests of consumers would still be harmed. In that case, the Market Inspectorate could prohibit further activities of the free rider if statutory requirements were met. Last but not least, the mere company name can be protected under the Companies Act (ZGD-1) by addressing the Business Registry and requesting deletion of the name which

is contrary thereto.

It follows that each of these legal bases has its specifics and could be relevant for particular statement of facts in various situations where a free rider is taking advantage of another's trademark with reputation.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?

yes

Why?:

The basis for protection is relevant since different laws protect different legal values and have different scope. Trademark law (ZIL-1) protects holders of registered trademarks. If their mark enjoys a certain reputation the extended protection applies. Invoking protection on the basis of unfair competition law (ZVK) could, on the other hand, cover also the use of non-registered sign of another company although criteria to invoke protection is higher since it must be proven that such use is contrary to good business practices and that it could cause damage to the other company. Criminal law (KZ-1) again has a different, punitive function which aims more at punishing the person who committed the offence rather than protecting the trademark holder and his seamless use of trademark. Further, the law on protection of consumers from unfair commercial practices (ZVPNPP) offers basis for action in order to protect consumers, which could prove necessary if for some reason the trademark holder himself did not want to pursue other legal options against the free rider but interests of consumers would still be harmed. In that case, the Market Inspectorate could prohibit further activities of the free rider if statutory requirements were met. Last but not least, the mere company name can be protected under the Companies Act (ZGD-1) by addressing the Business Registry and requesting deletion of the name which is contrary thereto.

It follows that each of these legal bases has its specifics and could be relevant for particular statement of facts in various situations where a free rider is taking advantage of another's trademark with reputation.

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?

In Slovenia, there has not been ample case law on this topic, however, the statutory requirements are in line with the EU provisions. Lack of Slovenian case law is compensated by the courts by reference to the case law of the CJEU which is welcome as it increases legal certainty on this issue despite the lack of decisions of Slovenian courts.

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

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?



N/a

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

yes

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

In our opinion, harmonisation would be advisable as defined in these Working Guidelines. Harmonisation would secure a higher level of legal certainty in particular for holders of registered trademarks. With the increase of internationally registered trademarks, it has become ever more important that the trademark holders are aware of what sort of protection they can benefit from, not only locally, but in particular abroad. Harmonisation of extended protection would certainly enable an increase of level of awareness and therefore a higher value of trademark protection.

b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

yes

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

N/a

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

Within the range of legal bases described above under 1) and under 10), trademark law is the sole basis of protection susceptible to harmonisation. The other bases for protection are more dependable on the particular legal system and its particularities.

19) What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required, and who should bear the burden of proof?

*What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors: what level of reputation, if any, in the trademark should be required;*

As the CJEU has already attempted to do, specific criteria should be determined, which should be taken into consideration when assessing whether the reputation of an individual trademark is sufficient to benefit from the extended trademark protection. Certainly, the level of reputation should be higher than the level for a well-known mark. However, the quantitative criteria should not be determined precisely (by percentage of market share for example) since this could lead to unjustifiably denying extended protection to certain reputable trademarks.

*and who should bear the burden of proof?*

It is in our opinion appropriate that the burden of proof is born by the trademark holder. Namely, taking into account the criteria that the CJEU has set for assessing the trademark's reputation in the judgment *Chevy*, the holder of the trademark is in the best position to evidence that the criteria are fulfilled (i.e. market share held by the trademark, the intensity, the geographical extent, duration of use of trademark, size of investment made in promoting the trademark).

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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.
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<p>It is disputable whether the defence of "due cause" is required at all since the academia has had difficulties with giving examples of such due case. It seem that even those few examples of due cause which exist (i.e. freedom of speech; licence) would already be sufficiently covered by the phrase "taking <i>unfair</i> advantage". Thus, we are of the opinion that no defence is necessary since already the definition as set out in the Working Guidelines contains sufficient limitations to prevent that extended protection would be too broad.</p>
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21) Who should bear the burden of proof in respect of any defences and/or limitations?
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<p>Should there exist a defence and/or limitation, the burden of proof therefor should be on the person who is allegedly infringing the trademark.</p>
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22) In what type(s) of proceedings should it be possible to invoke the protection?
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<p>In civil proceedings.</p>
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Summary
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<p>N/a</p>
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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.
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<p>N/a</p>
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