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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:

Salvadorian Trademark law establishes protection against any unauthorized use of a trademark that is identical or similar to a filed or registered trademark. This protection is limited by the product or services class for which the trademark registration has been filed or granted. Further limitations are granted in the case of well known/notorious trademarks and famous trademarks. The Salvadorian Trademark Law (Ley de Marcas y Otros Signos Distintivos) regulated the rights of the trademark owner in article 26. The Trademark Law provides the right holder the right to initiate action against Public use of a sign that is identical or similar to the mark, even if it is for noncommercial purposes, when it may cause the weakening of the distinctiveness or commercial or advertised value of the mark, or an unfair use of its reputation.

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

yes

Please comment:

Fair use of trademarks is acceptable. For example a retailer may use in its publicity various trademarks in order to promote a product being legitimately sold by him. Unauthorized use among

others, are:

- a) Reproduce, apply, adhere or fix in any way a distinctive sign that is identical or similar to the registered mark on the goods for which the same has been registered, or on the containers, wrappings, packaging, or arrangement of such goods, or on goods that have been produced, modified or handled by services for which the mark has been registered<sup>3/4</sup>
- b) Remove or modify the mark with commercial purposes after its holder or any authorized person has already applied, adhered or fixed it on the products referred to in the preceding subparagraph<sup>3/4</sup>
- c) Manufacture labels, containers, wrappings, packaging or other analogous materials that reproduce or bear the mark, as well as commercialize or hold such materials<sup>3/4</sup>
- d) Refill or reuse, with commercial purposes, containers, packaging or wrappings that bear the mark<sup>3/4</sup>
- e) Commercially use a sign that is identical or similar to the mark of whichever goods or services when such use may cause confusion or risk of association with the registration holder, understanding that the usage of an identical sign for identical goods or services presumably implies that confusion is probable<sup>3/4</sup>
- f) Publicly use a sign that is identical or similar to the mark, even if it is for noncommercial purposes, when it may cause the weakening of the distinctiveness or commercial or advertised value of the mark, or an unfair use of its reputation<sup>3/4</sup>
- g) In the case of licensed goods, the use by third parties of licensed goods or signs of licensed marks for the purposes of their commercial, advertising or promotional association with marks or establishments owned by any third party<sup>3/4</sup> and
- h) Any act of analogous nature that may affect the rights conferred to the mark holder.

Other unauthorized use may be considered as unfair competition acts, such as the followings:

- a) Any action capable of causing confusion or a risk of association regarding the goods, services, business or establishments of another<sup>3/4</sup>
- b) The use or spreading of false indications or allegations capable of denigrating or discrediting the goods, services, business or establishments of another<sup>3/4</sup>
- c) The use or spreading of indications or allegations, or the omission of genuine information, when it is liable to mislead regarding the origin, nature, method of manufacture, suitability for usage or consumption, quantity or other goods or services or those of another<sup>3/4</sup>
- d) The use of a good commercialized by a third party to mold, trace, copy or unlawfully reproduce in any other way this good in order to take advantage, with commercial purposes, of the results of the effort or reputation of another<sup>3/4</sup>
- e) The use as mark of a sign which registration is prohibited according to prohibitions based on absolute grounds of the Trademark Act
- f) The use in commerce of a sign which registration is prohibited according to prohibitions based on relative grounds of the Trademark Act<sup>3/4</sup> and,
- g) The use of wrappings, packaging, containers, cans, decoration of goods and establishments when

these are characteristic and likely to cause confusion with those of another holder.

Consumer Protection Law is also applicable in specific cases, when consumers are misled in regards to the origin, characteristics, applicable warranty and other specification of products.

Salvadorian Criminal Law grants any trademark owner the opportunity to file a judicial complaint against unauthorized use of a trademark, if such use is made in the same class for which the trademark has been registered for. The Criminal Code states that any person seeking industrial or commercial objectives without the consent of the right holder who reproduces, imitates, modifies or in any other way uses the mark, trade name, slogan or any other distinctive sign, infringing the rights covered by the registered industrial property according to Law, will be sentenced with prison from two to four years.

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.

Consumer protection law operated independently from the trademark law. And is based on the rights of the consumers, to be duly informed on the products and services being acquired.

The Penal Code, is directly related to the trademark law and the prohibitions of use of similar and identical trademarks. Criminal trademark infringement is regulated under Art. 229 of the Penal Code.

- 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?

The protection is based on the Constitution, which recognizes intellectual property as a constitutional right, international treaties such as the Paris Convention, the trademark law, consumer protection law and penal code

The trademark law regulates in regards to filed application as well as registered trademarks. The consumer protection law and penal code, are only applicable to registered trademarks.

- 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?

For any cause of action the required element is the registration of the trademark. No judicial action can be initiated without a prior registration of the trademark.

Legal actions can only be attempted against the infringement of trademarks in the same class, except for dilution and unfair advantage cases, in cases of unfair competition, the unauthorized use of the

trademark in order to deviate clientele can be argued before a court of law for different classes.

The reputation of the trademark may be an influential factor to be taken into consideration by a judge, but is not a requisite for the filing of a judicial action.

5) Further to question 4):

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

The reputation of the trademark is not a requisite for filing a judicial action, but may affect the criteria of the judge.

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

The plaintiff bears the burden of proof, except in cancellation actions based on non-use.

c) must the use at issue cause confusion?

yes

If so, what degree of confusion is required, e.g. actual confusion, a likelihood of confusion and/or initial interest confusion (i.e. initial confusion which has been resolved at the time of purchase)?:

Either identical trademarks or likelihood of confusion is required. The required degree of confusion depends of what kind of action is filed. For instance, in order to file a criminal complaint the marks must be identical. In order to file an unfair competition action the marks can be similar. Likelihood of confusion is required especially on Civil and Mercantile actions such as unfair competition, and also for administrative actions such as oppositions and appeals and for Contentious Administrative Judicial Actions. Actual confusion is based on identical marks and these kind of actions can be filed before the District Attorney.

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

yes

Please comment:

For judicial purposes the protection involved must relate to similar goods/services, but in cases of deviation of clientele as an unfair competition conduct, the unauthorized use can relate to dissimilar goods/services

For criminal actions, the infringed trademark must be registered in the same class in which the infringement has been occurring. -The criteria for criminal actions, especially for anti counterfeiting actions is that the specific goods/services must be protected by the registration.

For mercantile actions such as unfair competition it does not matter if the goods are not identical. Similar goods/services can be used for filing a judicial action.

For cancellation actions based on non use the goods/services reflected in the registration certificate must be in use, otherwise the Judge will cancel the registration. For cancellation actions based on bad faith the goods/services can be similar.

For administrative actions such as oppositions and appeals, there is no need for the goods/ services to be identical. Similar goods/services can be used as the basis for filing these actions.

Accordingly, it will depend on what kind of action is filed in order to determine whether similar, dissimilar or identical goods/services are required,

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

The well known nature of the trademark, as well as the magnitude of the infringement, (amount of goods or services provided) are taken into consideration by the judge.

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?:

Applicable defenses are: having the authorization for use from the owner of the trademark, and parallel importations may also be argued. The entire catalogs of limitations are:

Article 27. The trademark registration shall not confer its holder the right to forbid, regarding marketable goods or services, the use of the following by any third party: establishments<sup>1</sup>/<sub>4</sub>

b) Indications or information about the characteristics of the goods or services produced or distributed by the holder including, among others, those regarding quantity, quality, usage, geographical origin or price<sup>1</sup>/<sub>4</sub> and,

c) Indications or information on the availability, usage, application or compatibility of the goods or services that the holder manufactures or distributes, particularly regarding spare parts or accessories.

The limitations referred to in the preceding paragraph shall apply, provided that the use thereof is in good faith and in the exercise of lawful industrial or commercial activities and implies no confusion regarding the business origin of the goods or services.

There is also a limitation when exhaustion of rights concerns. Article 28 of the Trademark Act states: The trademark registration shall not grant its holder the right to forbid a third party the usage of the mark regarding the goods legitimately marked that may have been introduced in the market within the country, either by the holder, by the licensee or by any other party with the consent of the holder or any party financially connected to the holder, provided that those goods and the containers or packaging that are in immediate contact are not modified, altered or damaged by any means.

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?

The defendant bears the burden of proof to its defense and may argue due cause of fair use, but such arguments are very limited, as in El Salvador, comparative advertisement is prohibited by the Consumer Protection Law as are other unauthorized uses.

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?

The legitimate owner of a trademark may obtain a registration for a different class in order to prevent free riding; nonetheless, such registration can be cancelled and annulled through a non use trademark cancellation action. The Trademark Act prevents the registration of a similar mark even if the goods are not in the same class, as long as the goods are somehow related.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

Yes. Protection can be invoked against trademark infringements before a Civil/Mercantile Court, in order to obtain a declaration of unfair competition and/or trademark cancellation and claim damages. All kind of cancellation actions must be filed before the Civil/Mercantile court. Please note that since 2008 there are no separate Civil and Mercantile courts, they are all reunited in one Court, namely Civil/Mercantile Courts. Therefore, cancellation actions and Unfair Competition actions are filed in these Courts.

b) court in other proceedings;

yes

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

Criminal proceedings can be initiated based on trademark infringements. Criminal actions are filed before the District Attorney, and they proceed to file a complaint before the Peace Judge, and then if the Peace Judge recognizes a felony, the process is carried on before an "Instruction Judge" and finally before a "Sentence Judge"

c) opposition proceedings;

yes

Please comment:

Opposition proceedings may be filed against a trademark application before the Registry of Intellectual Property, based on the identical nature or similarity of the trademark. These are not judicial actions, but administrative actions. If the opposition is rejected, an administrative appeal procedure can be filed before the Intellectual Property Director, and finally if the appeal is also rejected there is the possibility to file a Judicial Action before the Administrative Court of the Supreme Court of Justice.

d) any other?

yes

if so what, proceedings?:

Besides administrative oppositions, administrative appeals, and Judicial Actions before the Administrative Court of the Supreme Court of Justice, and cancellation actions and Unfair Competition actions filed before Civil/Mercantile courts; and Criminal Actions filed before the District Attorney, there are no other proceedings available in El Salvador.

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

The requirements are common in all judicial proceeding civil and criminal; the trademark owner must evidence his intellectual property right through the filing of the registration certificate.

Opposition proceedings can be based on a trademark application and/or a registered trademark.

## 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?:

As Salvadorian Trademark Law regulates infringement and not the taking of unfair advantage as defined in these guidelines, and limits the range of action of a trademark owner based on product and services class, hence leaving certain conducts without regulation.

Also, the Trademark Act does not provide a reinforced protection for well-known trademarks, especially because there are no specific rules to determine whether a mark can be considered as a well-known mark, and therefore sometimes similar marks are admitted to registration as the trademark examiner does not possess the necessary knowledge to determine the well known nature of the trademark.

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

yes  
Why?:

all infringements of trademarks as well as conducts related to unfair use should be regulated; as such conducts affect intellectual property rights, may cause dilution and in general tend to affect the economy and state of law.

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

yes  
Why?:

free riding may be considered a lesser infringement, nonetheless it's effects are the same as infringements as they affect the legitimate rights of trademark owner, generate undeserved wealth to the unauthorized user and therefore generate economic loss for the legitimate trademark owner.

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

yes  
Why?:

in order to provide legitimate trademark owners with sufficient tools to protect their rights.

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?

Current Salvadorian Law regulates trademark infringements, unfair competition and trademark dilution, but does not regulate in regards to taking unfair advantage as defined in these Working Guidelines, therefore living a legislative gap, which should be regulated through a legal reform or the trademark law.

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

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

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?

Does not apply.

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.:

The definition provided by this Working Guidelines is sufficient to address the unfair advantage of trademark, as it could be harmonized with other legal definitions regarding infringement and trademark dilution. The unfair advantage of trademarks and the misuse of registered trademarks are harmonized according to international treaties and these working guidelines, However, we believe that the local Law should recognize the prerogatives and privileges given to the well-known trademarks, especially because there are no specific factors to be taken into consideration in order for the examining attorneys to be able to determine whether a certain trademark is a well-known source indicator.

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

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

The basis for protection should not only be a prior registered trademark but also a legitimate interest in order to allow for actions to be taken even in cases when the trademarks or the use of them are not in the same class as the registered trademark. Also, taking into consideration the reinforced nature of a well-known mark, there should be an exception to the Principle of Territoriality, because oppositions based on registrations abroad do not have good chances of success due to the fact that the criteria is that the mark must be well-known inside the territory in which the well known -nature is invoked.



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?

The requirements for protection should be the evidence of legitimate ownership over the trademark and the evidence of legitimate interest. In cases such as well-known marks, the legitimate ownership abroad should be accepted.

a. What level of reputation, if any, in the trademark should be required; and

In regards to reputation levels, protection should be emphasized for notorious and famous trademark, and in the case of regular trademarks, the legitimate interest would have to be evaluated by the authorities. We consider that free riding affects any and all categories of trademarks, however the authorities should consider the reinforced nature of a well-known mark, which includes the breaking of the Principle of Territoriality, the Principle of Specialty and a very strict examination on the admittance of a similar mark to be registered.

a. Who should bear the burden of proof?

The free rider should be the bearer of the burden of proof in order to evidence that no such conduct has been made. It would be very difficult for the legitimate owner of a trademark to bear with the burden of proof as the evidence would mostly be located with the free rider.

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.

The defense should be focused on evidencing lack of bad faith, the monetary effect the conduct had on the prior trademark, as well as other legally recognized permitted uses.

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

The defendant should bear the burden of proof.

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

In civil and criminal procedures, as well as administrative opposition procedures.

#### Summary

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.