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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:

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

yes

Please comment:

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.

There is no specific "definition"; commonly legal authors and courts refer to the "special protection of trademarks with reputation". As for registered trademarks such protection is provided by Sec 10 (2) Austrian Trademark Act (transforming Art 5 (2) Trademark Directive), which, however, does not bear a specific headline or title.

As for unregistered trademarks and - within a broader concept - other signs or identifiers with

reputation such protection has traditionally been derived from Sec 1 Austrian Unfair Competition Act (which is a general clause sanctioning unfair competitive behavior).

- 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?

As for registered trademarks such protection is provided by Sec 10 (2) Austrian Trademark Act (transforming Art 5 (2) Trademark Directive).

As for unregistered trademarks and - within a broader concept - other signs or identifiers such protection has traditionally been derived from (and is still applied based on) Sec 1 Austrian Unfair Competition Act (which is a general clause). This was recently explicitly discussed by the Austrian Supreme Court in the decision 4 Ob 212/11x, *Trikot der Nationalmannschaft*, which concerned a case of free riding by means of picturing the jersey of the Austrian national soccer team in an advertisement without consent of the Austrian Football Association: The Supreme Court held that the protection of signs with reputation (in the case at hand the jersey was considered a "sign") against free riding in its core is a matter of unfair competition ("lauterkeitsrechtlicher Leistungsschutz") and was only later incorporated into trademark law. It concluded that the same principles shall apply for registered and unregistered trademarks.

As regards the interaction of trademark and unfair competition protection: It seems that such has not really been analyzed yet in detail. However, since the protection has traditionally been derived from unfair competition law and was later incorporated into trademark law (which means that both share the same roots), the interaction seems to be not that important in practice. According to the general rule trademark law shall prevail as *lex specialis*. However, if not all conditions are met (e.g. no use of the sign as a trademark) one may try to invoke the - basically coinciding - protection under unfair competition law.

Besides that, Austrian law contains a specific provision regarding unjust enrichment, which is applied to cases of free riding (Sec 1041 Austrian Civil Code). According to such provision one who uses the property of another person has to pay adequate compensation for such use. Austrian courts have taken the view that property shall be interpreted very broad which means that also "reputation" is an - intangible - property that may be used by others. Such provision in particular is applied when the reputation of a person is exploited for commercial reasons, e.g. by using the name or a picture for advertising reasons.

- 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?

- Registered trademark / unregistered trademark

Proof: Register / ownership of unregistered trademark (based on use in commerce, eg for trade names or acquired distinctiveness through use);

- Reputation;

Proof: Any evidence may be presented - in particular samples of intensive use and surveys. In this respect it should be mentioned that as far as trademark law is concerned it is not sufficient to show that the word/device as such is well known - rather it must be well known as trademark (see Austrian

Supreme Court decision OGH 20/08b, *BOTOX*, in which the Supreme Court held that while BOTOX is a well-known word, it is not recognized as trademark and thus no trademark with reputation). As far as the protection of other signs under unfair competition law is concerned, it is necessary to show that the reputation was acquired by the plaintiff, which means that exploiting the reputation coincides with exploiting the costs, effort and skills of the plaintiff (see Austrian Supreme Court decision OGH 4 Ob 176/13f, *Schloss Schönbrunn*, in which the Supreme Court decided that the reputation of the world famous Schloss Schönbrunn was not developed by the company managing the castle but that it is a "historical value", which is part of the public domain).

- Establishment of a link or association with the trademark with reputation (and not e.g. purely seen as an embellishment, CJEU C-408/01, *Adidas/Fitnessworld*);

Proof: It is dealt with a question of law (by applying "rules of experience" - "Erfahrungssätze") rather than a question of fact. However, the argumentation may be supported by a survey; in this respect it is worth mentioning that it is not necessary to establish a likelihood of confusion.

- Advantage due to such link or association;

Proof: It is a question of law rather than a question on fact. There are two types of possible advantage - (i) appropriation of reputation (which means that the renown is transferred to other goods or services) and (ii) exploitation of the distinctive character (eye catching), together referred to as free riding by the CJEU. In many cases such advantage will be obvious (once a link/association has been established) and may easily be derived from the circumstances.

- Unfair behavior;

Proof: It is a question of law rather than a question of fact. In many cases the unfair behavior may easily be derived from the circumstances (referring to German case-law, the Austrian Supreme Court developed the legal principle that unfair behavior may be assumed, if an identical sign is used, but also if a similar sign is used for identical goods/services, since the intention to have a free ride is obvious in such cases; it is then to the defendant to prove the opposite - see OGH 4 Ob 122/05b, *Red Dragon*).

- (Lack of due cause as for example freedom of expression).

5) Further to question 4):

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

The Austrian Supreme Court adheres to CJEU jurisprudence, according to which this depends on various circumstances and is thus evaluated on a case by case basis. No specifications or predetermined percentages apply.

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

According to the general rule of procedural law the one who invokes the protection of a trademark with reputation bears the burden of proof.

c) must the use at issue cause confusion?

no

Please comment:

According to CJEU case law (however, following the CJEU C-252/07, *Intel*, the likelihood of confusion

is one of many aspects to be considered).

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

yes

Please comment:

As regards similar goods, which are not explicitly contained in the statutory provision, the interpretation by the CJEU in the case C-292/00, *Davidoff*, is applied.

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

Since it is an evaluation on a case by case basis every aspect/factor may be relevant.

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?:

Referential use/comparative advertising: Taking advantage of a trademark with reputation is not unfair, if the use of such trademark is necessary to ensure effective competition (see CJEU C-112/99, *Toshiba Europe*; OGH 17 Ob 2/11k, *Velux*; OGH 17 Ob 19/11k, *Oral-B*; OGH 17 Ob 28/08d, *Mazda Logo*).

Parody (fundamental rights): The Austrian Supreme Court held that - considering fundamental rights - the unfairness of "taking advantage" may be negated in case the defendant acts artistically or takes part in a social discourse; however, such defense was not accepted in the case at hand, because the Supreme Court found that commercial reasons prevailed (OGH 17 Ob 15/09v, *Styriagra*).

Line extension as "due cause" as held by the CJEU in *Red Bull/Leidseplein*, C-65/12.

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?

If plaintiff succeeds in showing a case for unfair behavior (see above) it is a matter for the defendant to assert a justification - this is a general procedural rule.

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?

This issue has not been dealt with in published case law.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes Please comment:
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b) court in other proceedings;
yes if so what other proceedings (e.g. criminal proceedings):  In criminal proceedings, since the criminal provision builds up on any infringement of a trademark (which might be likelihood of confusion according to Sec 10 (1) Austrian Trademark Act or infringement of a trademark with reputation according to Sec 10 (2) Austrian Trademark Act).

c) opposition proceedings;
no Please comment:  Only enhanced distinctiveness through use may be invoked (to support the claim of a likelihood of confusion).

d) any other?
yes if so what, proceedings?:  The special protection may be invoked in trademark cancellation proceedings initiated at the Austrian PTO with appeal to the civil court system.

10)	If the protection can be invoked in multiple proceedings, are there different requirements for different proceedings? If so, please state the requirements.
	The protection and the requirements generally coincide – however, there are of course certain differences between cancellation proceedings (where only the effects of a possible use have to be determined; Sec 30 (2) /Art 4 (4) lit a: "the use [...] <u>would</u> take unfair advantage") and infringement proceedings (where only the actual use is at issue).

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

11)	Should there be protection against:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	yes Why?:  The existing provision has proven as an appropriate tool.

b)	use that is similar but outside the scope of the definition in these Working Guidelines?
	no Why not?:  We currently do not see significant situations not covered by the situations as defined in these

Working Guidelines.

However, currently it appears not clear whether "use as a trademark" by the defendant is a condition for the applicability of the existing provision(s) in harmonized EU trademark law; under Austrian law in such situation unfair competition law provides for a remedy - on an international scale clarification would be desirable

12)	Is the basis for protection or the cause of action relevant?
	yes
	Why?:
	Because trademark law provides for a broader scope of claims and in the EU provides for uniform enforcement of CTMs rather than a multitude of national provisions, if existing, under unfair competition law. In addition a competitive relationship is required in unfair competition law,

13)	Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
	yes
	Why?:
	In any trademark infringement proceedings (civil or criminal) and as a basis for cancellation of and opposition against a trademark on the register; as regards opposition proceedings care should be taken not to jeopardize the expedited nature of opposition proceedings.

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?
	<p>Guided by the CJEU the Austrian case law seems to be clear and courts are willing to protect trademarks with reputation. While several practical aspects remain to be clarified by case law, it would appear inadequate trying to foresee for all potential situations in a statute.</p> <p>As regards the territorial requirements for availability of the protection (reputation in the territory concerned) and the territorial scope of enforcement considerable uncertainties remain (the CJEU may have an opportunity to clarify those in the pending case C 125/14, <i>Iron &amp; Smith</i>).</p> <p>It is further notable that there may be situations where a trademark with a reputation in a restricted territory is unfairly exploited, but according to the case law that reputation needs to be proven in a significant part of the territory (CJEU C-373/97, <i>Chevy</i>; CJEU C-301/07, <i>Pago</i>), protection under the existing provisions will not be available. Currently only unfair competition law may provide a remedy, but in view of the Austrian group in any case unfair advantage of a trademark is taken a remedy based on trademark law should be available.</p>

### 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:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	no
	Please comment:
	It seems to be difficult to compile a specific definition since there are so many possible variations of free riding. Thus, at the end of the day it will be necessary to have a general clause (like Art 9 (1) c) Community Trademark Regulation) which is applied by courts on a case by case basis.

b)	use that you consider similar but outside the scope of the definition in these Working Guidelines?
	no
	Please comment:
	It seems to be difficult to compile a specific definition since there are so many possible variations of free riding. Thus, at the end of the day it will be necessary to have a general clause (like Art 9 (1) c) Community Trademark Regulation) which is applied by courts on a case by case basis.

18)	What should the basis for protection/cause(s) of action be?
	According to our legal understanding the protection against free riding is basically a matter of unfair competition law since this issue does not merely concern trademarks. However, this does not mean that the same protection cannot be provided explicitly also in trademark law or other laws.

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?
	a. what level of reputation, if any, in the trademark should be required;
	A specific level cannot be required since it depends on many factors (relevant market, number of competitors, distinctiveness of the sign etc).
	In principle, there seems to be a coincidence between the existence of a reputation of a trademark and the possibility to unfairly exploit the trademark having such reputation. This should determine the level of reputation.
	b. who should bear the burden of proof?
	The party invoking on such protection. Yet, in case of notoriety, indications showing the notoriety should be sufficient.

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 concept of "due cause" appears to be an adequately open concept, which in particular allows for a balancing with legitimate interests of the defendant, e.g. relating to fundamental rights just as free speech.

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

The defendant.

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

In any trademark infringement proceedings (civil or criminal) and as a basis for cancellation of and opposition against a trademark on the register; as regards opposition proceedings care should be taken not to jeopardize the expedited nature of opposition proceedings.

#### Summary

The existing provisions regarding the protection of trademarks with reputation have proven as appropriate tools whereby the Austrian Supreme Court adheres to CJEU jurisprudence. The Supreme Court also emphasizes that such protection does not merely concern registered trademarks respectively trademark law; as for unregistered trademarks and - within a broader concept - other signs or identifiers the very same protection has traditionally been derived from (and is still applied based on) unfair competition law. Besides that, "reputation" may be protected as (intangible) asset under civil law (unjust enrichment).

With respect to trademark law in particular the following aspects remain to be clarified / seem to be important:

- Currently it appears not clear whether "use as a trademark" by the defendant is a condition for the applicability of the existing provisions.
- As regards invoking the special protection within opposition proceedings care should be taken not to jeopardize the expedited nature of opposition proceedings.
- As regards the territorial requirements for availability of the protection (reputation in the territory concerned) and the territorial scope of enforcement considerable uncertainties remain.
- In principle, there seems to be a coincidence between the existence of a reputation of a trademark and the possibility to unfairly exploit the trademark having such reputation. In view of the Austrian group in any case unfair advantage of a trademark is taken a remedy based on trademark law should be available.

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.