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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:

The first and primary type of protection is the protection against taking unfair advantage of the distinctive character or the repute of the trademark with a reputation under the Trademarks Act (7/1964). In addition, the protection against slavish imitation and the protection against parasitic copying under the Unfair Business Practices Act (1061/1978) are also applicable, especially in respect of products, their shape and packaging.

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

yes

Please comment:

A closely related use is a use which is detrimental to the distinctive character or the repute of the trademark with a reputation (dilution). The basis for such protection is incorporated into the same Section (Section 6(2) of the Trademarks Act), which grants protection against taking unfair advantage of a trademark with a reputation. However, the protection against a use which takes

unfair advantage of and the protection against a use which is detrimental to trademarks with a reputation are conceptually and doctrinally different. We will not elaborate on this further as dilution is explicitly excluded from the scope in the Working Guidelines.

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

2) What is this protection called, and is this a definition developed in case law or found in a statutory provision? If such protection is characterised as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterisation.

Trademarks with a reputation are protected against the use that without due cause takes unfair advantage of the distinctive character or the repute of the trademark. The basis for the protection is Section 6(2) of the Finnish Trademarks Act, which is in line with Article 5(2) of the EU Trademark Directive (2008/95/EC). The protection is incorporated into the same Section which grants protection against a use which is detrimental to the distinctive character or the repute of the trademark with a reputation (dilution). Therefore, the protection against taking unfair advantage of the trademark with a reputation is considered by some as one type of protection against dilution.

Another type of protection is the protection against slavish imitation. The statutory basis for the protection is the general clause in Section 1(1) of the Finnish Unfair Business Practices Act, which states that honest business practice may not be violated nor may practices that are otherwise unfair to other parties be used in business. This protection is mainly established in the case law of the Market Court.

An additional type of protection is the protection against parasitic copying which has its statutory basis in the same general clause as the protection against slavish imitation. The protection against parasitic copying has been developed in the case law of the Market Court in recent years.

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 stated above, the protection against taking unfair advantage of the distinctive character or the repute of the trademark with a reputation is based on the Finnish Trademarks Act, whereas the protection against slavish imitation and parasitic copying is based on the Finnish Unfair Business Practices Act.

As of September 1, 2013 the Market Court is the sole competent court in civil and administrative proceedings concerning intellectual property and unfair business practice matters. Therefore, causes for action may comprise both the protection against taking unfair advantage of the distinctive character or the repute of a trademark with a reputation and the protection against slavish imitation and/or parasitic copying where applicable. Though, the protection granted under the Trademarks Act is the first and primary type and, thus, is preferred if possible.

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?

The elements of the protection against taking unfair advantage of the distinctive character or the repute

of a trademark with a reputation are the following: the earlier trademark has a reputation, a link between the earlier trademark and a later mark exists and there is, at least, a serious risk that the use of the later mark takes unfair advantage of the distinctive character or the repute of the earlier trademark.

The protection against slavish imitation requires that the trademark (or the product) is original and known in the market and the latter use by the alleged infringer causes a likelihood of confusion among the relevant public.

The protection against parasitic copying requires that the defendant has exploited positive associations created by another party in the market. The trademark (or the product) which is allegedly exploited must be known in the market. In other words, the earlier trademark (or the product) must be associated with the proprietor. The trademark (or the product) must also possess repute (goodwill). Furthermore, the conduct of an alleged infringer must have created a link to the earlier trademark (or the product). Proving a likelihood of confusion is not required. Finally, the alleged infringer must have taken, or there exists a serious risk of taking, unfair advantage of another's repute (goodwill). Importantly, the required level of reputation is lower than that required in the protection against taking unfair advantage of the distinctive character or the repute of the trademarks with a reputation.

Proving a likelihood of confusion is required only in respect of the protection against slavish imitation.

The Finnish Patent and Registration Office (PTO) maintains a list of trademarks that are considered to have a reputation in Finland. The list can be used as supporting evidence in court or administrative proceedings in proving that an earlier trademark has a reputation at the time of the inclusion into the list. However, the list of trademarks with a reputation does not have legal relevance as such. Relevant evidence concerning the reputation of an earlier trademark may consist of marketing materials, marketing costs, sales data and market surveys. A link between conflicting trademarks can be proven by market surveys. Actual advantage could be proven by demonstrating a change in the economic behaviour of consumers, which could be demonstrated by market surveys and sales data. Furthermore, evidence in regard to intentional imitation or creation of a link is a relevant factor.

5) Further to question 4):

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

No fixed percentage requirements are established either in the statutory provisions or in the case law and, thus, the assessment will be conducted separately in each case. In practice, spontaneous recognition must be significant in the relevant target group.

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

The burden of proof lies with the party making the claim.

c) must the use at issue cause confusion?

no

Please comment:

The answer is Yes and No.

Neither the protection against taking unfair advantage of the distinctive character or the repute of a trademark with a reputation nor the protection against parasitic copying requires the existence of a

likelihood of confusion.

The protection against slavish imitation requires the existence of a likelihood of confusion. Actual confusion is not required.

The concept of initial interest confusion is not per se used in Finnish legal doctrine.

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

yes

Please comment:

Yes, in respect of the protection against the taking unfair advantage of the distinctive character or the repute of the trademark with a reputation and the protection against parasitic copying as specified above. However, the protection against parasitic copying has mainly been referred to in cases of similar goods or services.

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

Dilution, either a detriment to the distinctive character or a detriment to the repute of the trademark with a reputation, may be a factor in proving that unfair advantage of the distinctive character or the repute of the trademark with a reputation has been taken.

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?:

Due cause is a specific defence against the protection against taking unfair advantage of the distinctive character or the repute of the trademark with a reputation. For example, traders must be able to use words or trademarks which are descriptive in regard to the sold goods or services. In the judgment KKO:2006:17 (Gillette) of the Supreme Court the necessity to indicate the intended purpose of a product or service permitted the use of someone else's trademark in the context of Article 6(1)(c) of the Trademark Directive. Such use should fulfil the requirement of a due cause. Furthermore, in the judgment 2181 of 29 August 2012 of the Helsinki Court of Appeal (adidas) it was upheld that the existence of other infringing products in the market does not constitute a due cause where the trademark proprietor has not stayed entirely passive. The due cause should also function as a defence against the protection against slavish imitation and parasitic copying.

In respect of the protection against slavish imitation, a defendant may prove that the use does not violate honest business practice or that the use is not otherwise unfair to other parties or that there is no likelihood of confusion between the earlier trademark (or product) and the latter trademark (or product). Also, the possibility of the likelihood of confusion may be avoided by clearly indicating the origin of the product and/or the company name.

In respect of the protection against parasitic copying, a defendant may prove that the earlier trademark (or product) is not known in the market and/or does not possess repute. Secondly, a defendant may prove that its use does not take unfair advantage of the repute of the earlier trademark or that the use is in accordance with honest business practice. For example, in the judgment KKO:2005:143 (Budweiser) of the Supreme Court it was considered that a use of a similar mark may be considered fair where the mark is used to describe the origin of the product or service.

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 burden of proof lies with the defendant. If the trademark proprietor proves that the defendant's use is unfair but the defendant is able to prove an existence of due cause, the court will permit said use.

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?
	<p>If a valid defence exists, the alleged free-rider is entitled to such action to which they are deemed to have a due cause (e.g. in certain cases to use the similar trademark and in other cases to obtain a separate trademark registration).</p> <p>However, according to Finnish case law there is a possibility that, even though, the latter trademark does not infringe the earlier trademark with a reputation, the same latter trademark cannot be registered due to the relative ground for refusal (the judgment KKO:2010:12 of the Supreme Court (Oivariini/Ingmariini -infringement case) and the judgment 1996 of 8 July 2011 of the Supreme Administrative Court (Ingmariini -registration case)). Therefore, the alleged infringer may have the right to use the mark but does not have the right to obtain a trademark registration. The same also seems true the other way round. The latter trademark may infringe the trademark with a reputation but the latter trademark may still be registered from the perspective of administrative registration process (the judgment 2561 of 27 September 2012 of the Helsinki Court of Appeal (Chanel/BeautyChannel -infringement case) and the judgement KHO:2015:10 of the Supreme Administrative Court (BeautyChannel -registration case)). Such outcome is perplexing, since the registered latter trademark has obtained the registration but any use of it would result in infringement of the trademark with a reputation. The current legal state could be clarified when the Supreme Court renders the final judgment in Chanel-case later this year.</p> <p>It is to be noted that the Market Court was recently reformed as explained above. Previously, in administrative proceedings, the appeal instance for the decisions of the Finnish PTO was the Board of Appeals of the PTO, after which a judgment could be appealed to the Supreme Administrative Court. In civil proceedings the court of first instance was the District Court of Helsinki, the appeal instance the Court of Appeal of Helsinki and the final instance the Supreme Court. Currently appeals against the decisions of the Finnish PTO are to be made to the Market Court and then directly to the Supreme Administrative Court in administrative matters and to the Supreme Court in civil matters, provided that the final instances grant a leave to appeal. Therefore, the Market Court as the common first instance is likely to harmonise case law and reduce the possibility of contrary judgments. Nevertheless, the Supreme Court and the Supreme Administrative Court may still reach different conclusions.</p>

9)	Can the protection be invoked in:
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a)	court in civil proceedings;
	yes
	Please comment:

b)	court in other proceedings;
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yes
if so what other proceedings (e.g. criminal proceedings):
Yes, in criminal proceedings. The protection can be invoked in conjunction with a criminal claim. In such case, the protection is invoked in the District Court of Helsinki, whereas the protection in civil and administrative proceedings is invoked in the Market Court.

c) opposition proceedings;
yes
Please comment:
Yes, in regard to the protection against taking unfair advantage of the distinctive character or the repute of trademarks with a reputation.

d) any other?
yes
if so what, proceedings?:
Yes. For example, the question can be brought before the Board of Business Practice which can issue non-binding statements. The Board of Business Practice operates under the Finland Chamber of Commerce.

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 for each type of protection are essentially the same.
	However, the threshold of burden of proof is traditionally higher in criminal proceedings than in civil proceedings. Where any of the above types of protections as defined above are invoked in conjunction with a criminal claim, the threshold of the requirements may be higher. However, there is no case law concerning this question.

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?:

b)	use that is similar but outside the scope of the definition in these Working Guidelines?
	yes
	Why?:
	Yes. The protection against dilution should be maintained.
	The current system and different types of protection operate fairly well by prohibiting taking unfair advantage of trademarks while still maintaining the principle that copying which is in accordance with honest business practices is generally accepted if no intellectual property rights are infringed.

12)	Is the basis for protection or the cause of action relevant?
	yes
	Why?:
	The basis for the abovementioned types of protection is relevant. It is reasonable to protect the investments of the trademark proprietors and prohibit use that takes unfair advantage of someone else's trademark or the marketing effort expended by another party.

13)	Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
	yes
	Why?:
	The protection against taking unfair advantage of trademarks with a reputation should be possible to invoke in all types of 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>Further national case law is not needed because the protection against the taking unfair advantage of trademarks with a reputation and its requirements are adequately established in the case law of the Court of Justice of the European Union and the General Court. However, further case law is needed in respect of the concept of a due cause.</p> <p>The above proposal for improvement may be realised during the calendar year since the issue at question is being considered by the Supreme Court in the Verkkokauppa-case (S 2013/742) and the CHANEL-case (S 2012/879).</p> <p>Furthermore, the Supreme Court should give a ruling in respect of the protection against parasitic copying in order to verify or refute the existence of such doctrine. At the moment, the doctrine has merely been developed in the case law of the Market Court and in legal literature.</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?
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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
	yes

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

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.:

Yes, in respect of the protection against dilution.

In our opinion, the definitions established in the EU case law seem to be fairly reasonable and concrete.

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

The basis for the protection should remain the same, so that the causes of action are stipulated in separate statutory provisions. In addition to further harmonisation in the area of trademark legislation, future harmonisation in the area of the protection against unfair business practices should be achieved through EU regulations and/or directives.

From the Finnish jurisdictional point of view, the starting point should be that the protection is based on easily accessible and clear statutory provisions. The current development in regard to the protection against unfair business practice in the case law of the Market Court is welcomed and will hopefully develop further within the following years. There is no immediate need for the consolidation of new legislation.

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?

In our opinion the current requirements as stated in the General Motors -case (C-375/97) are sufficient. The level of reputation cannot be evaluated in the abstract by setting a certain percentage. In examining whether the level of reputation is achieved, all the relevant facts of the case must be taken into consideration.

The burden of proof lies with the party making the claim.

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 due cause and the use which is in accordance with the honest business practice should remain defences against the protection as defined above. Other possible defences could be the use purely for descriptive purposes, the use which is considered permissible comparative advertising, parodies, the non-commercial use, the freedom of speech, and the use which is not considered to be trademark use.

We propose that a separate Working Group is established to discuss this question.

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

The burden of proof lies with the party making such claim.

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

The protection should be possible to invoke in all proceedings: in civil, criminal and administrative proceedings.

Summary

Finnish law provides for three types of protection against taking unfair advantage of trademarks. The Trademarks Act grants a protection against taking the unfair advantage of the distinctive character or the repute of a trademark with a reputation which is the first and primary type of protection. In addition, the protection against slavish imitation and parasitic copying are also applicable, especially in respect of products, their shape and packaging. Both concepts have been established in the case law of the Market Court, while their statutory basis lies in the general clause of the Unfair Business Practices Act. The protection against slavish imitation has a stronger basis in Finnish law, while parasitic copying is a more recent doctrine.

The aforementioned causes of action may be invoked simultaneously. As for the degree of reputation, no fixed percentage is established and is instead determined on a case-by-case basis. The reputation required for slavish imitation and parasitic copying is, however, lower than for the first and primary type of protection under the Trademarks Act.

The current system and different types of protection operate fairly well by prohibiting taking unfair advantage of trademarks while still maintaining the principle that copying which is in accordance with honest business practices is generally accepted if no intellectual property rights are infringed. Harmonisation in this area is desirable, both in respect of trademark legislation and protection against unfair business practices, including slavish imitation and parasitic copying or similar doctrines.

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.