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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 French legal system provides for (1) action for usurpation of a reputed trademark and (2) action for parasitism.

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

yes

Please comment:

The French legal system additionally provides for actions for trademark infringement by imitation

(Article L.713-3 of the French Intellectual Property Code), specific provisions authorising comparative advertising (Article L.121-9 of the French Consumer Code) making reference to third-party trademarks, and provisions relating to misleading commercial practice (Article L.121-1 I 1 of the French Consumer Code) making reference to distinctive signs.

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.

2.1. Action for usurpation of a reputed trademark

The action for usurpation of a reputed trademark is codified in trademark law by Article L.713-5 of the French Intellectual Property Code.

This legal text is derived from Article 5(2) of Directive No 89/104/EEC .

2.2. Parasitism pursuant to the generally applicable law of civil liability

The action for unfair competition is derived from the provisions of Article 1382 of the French Civil Code, according to which:

*"Any act whatever of man, which causes damage to another, obliges the one by whose fault it occurred to compensate it."*

The concept of parasitism, which is one of the forms of unfair competition, derives from a definition created in case law in 1999 by the *Cour de cassation* (the French Court of Cassation), according to which these acts of parasitism constitute a: *"set of behaviours by which an economic agent rides on the coat-tails of another in order to profit from his efforts and knowhow without making any expenditure"* (**Cass. Com., 26 January 1999**).

For his part, Professor Tourneau has provided the following definition: *"Whoever, for profit and in an unjustified way, substantially draws upon or copies a third party's economic asset which is individual to it and confers a competitive advantage, and which is the result of knowhow, intellectual work and investments, commits a wrongful parasitic act. This is because that act, which is contrary to commercial practices, notably in that it disrupts the equality between the various parties involved, even non-competitors, distorts the normal course of the market and thus causes commercial disruption. This constitutes, per se, certain damage and the victim may apply to the courts for an order to cease it and for compensation if he or she does not have any other specific action available to him or her".*

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?

3.1 The action for usurpation of a reputed trademark is based on trademark law, as indicated above, but it is not an action for infringement. It protects against parasitism of registered trademarks which “enjoy” a reputation, and trademarks which are unregistered but are “well-known”.

3.2 The action for unfair competition is based on civil liability (see the articles and case law mentioned above), which requires proof of a fault, a damage and a causal link.

3.3 In principle, these two actions, which are brought on different legal bases and on the basis of different criteria (see below), can be brought simultaneously but cannot be based on the same facts. In practice, judges sometimes transpose certain of the criteria from one action to the other.

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?

#### 4.1. Requirements for bringing an action for parasitism based on trademark law:

French case law penalises parasitic behaviour which constitutes “*exploitation which is unjustified and takes unfair advantage of the distinctive character or of the repute*” of a reputed or well-known trademark (Cass. com., 11 March 2008, Appeal no. 06-15594, Bull. 2008, IV, no. 60, Louis Vuitton; Cass. com., 9 July 2013, Appeal no. 12-21628; CA Paris, 6 December 2013, Case no. 11/18793, Elite).

In accordance with the principles established by Community case law, the owner of a trademark may thus oppose the use of a sign that is identical or similar to its own trademark provided that:

- the trademark relied upon enjoys reputation, that is to say that it is known “*by a significant part of the public concerned by the products or services covered by that trademark*” (CJEU, 14 September 1999, General Motors, Case C-375/97; for a French application of this definition of repute: CA Paris, 25 February 2000, Case no. 97/10602, Connexion);
- the public concerned makes a connection between those two signs, that is to say, establishes a link between them even though it does not confuse them (CJEU, 27 November 2008, Intel, Case C-252/07, paragraph 30; for a French example: CA Versailles, 16 April 2013, Case no. 11/05269, Elle); In this regard, the link established between the signs in question must be assessed by reference to average consumers of the goods or services covered by the trademark in dispute, who are reasonably well informed and reasonably observant and circumspect (Intel, paragraph 36).
- the use of the sign takes unfair advantage of the distinctive character or of the reputation of the trademark; Through this use, the third party is attempting to ride on the coat-tails of the trademark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that trademark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the trademark in order to create and maintain the trademark’s image. NB: The advantage taken by a third party of the distinctive character or the reputation of the trademark may be unfair, even if the use of the identical or similar sign is not detrimental either to the distinctive character or to the repute of the trademark (L’Oréal / Bellure, paragraph 43).

A global assessment should be undertaken which takes into account all factors relevant to the circumstances of the case, which include in particular:

- the strength of the mark’s reputation and the degree of distinctive character of the mark: the stronger

the trademark's distinctive character and reputation is, the easier it will be to accept that detriment has been caused to it;

- the degree of similarity between the conflicting trademarks;
- the nature and degree of proximity of the goods or services concerned.

The case law does not require the unfair advantage gained by the defendant to be actual and present; the owner of the trademark must merely prove that there is a serious risk that such an advantage will result in the future. However, the owner must provide *prima facie* evidence of a future risk, which is not hypothetical, of unfair advantage.

However, certain criteria are not relevant in the identification of parasitic acts in the context of the specific protection of reputed trademarks:

- the existence of a likelihood of confusion in the minds of the public between the signs in question;
- changes in the economic behaviour of the consumer;
- the good or bad faith of the defendant.

#### 4.2. The requirements for bringing an action for parasitism on the basis of the generally applicable law of civil liability: Articles 1382 and 1383 of the French Civil Code

This is based on the provisions of Articles 1382 and 1383 of the French Civil Code, and not on trademark law. No intellectual property title is therefore required; this action can be brought by those not benefiting from a personal exclusive right.

Like any action based on Articles 1382 and 1383 of the French Civil Code, it is usually necessary to establish a fault, a damage and a causal link.

##### 4.2.1 Fault

This is the key element required in order to bring an action for parasitism, as the damage and the causal link are generally presumed to exist.

Fault is characterised by the circumstance where, for profit and in an unjustified way, a legal or natural person copies a third party's economic asset which is individual to it and confers a competitive advantage, and which is the result of knowhow, intellectual work and investments.

Unlike unfair competition in general (which cannot arise from a combination of assumptions), this particular form of unfair competition – parasitism – which consists of an economic operator riding on the coat-tails of a company by taking undue advantage of the investments made or of its reputation, arises in principle from a set of elements assessed globally.

It is difficult to provide an exhaustive list of the various factors taken into account in case law, given the multiplicity of types of parasitic behaviour.

In any event, the victim of parasitic acts must establish:

- the reputation and/or the fact of the investments made for the distinctive sign in question;
- intrusive links or any other act committed by the defendant in order to misappropriate this reputation or these investments: these may be acts of such a nature as to create, through unjustified resemblances, a likelihood of association with the signs relied upon.

On the other hand, certain elements are irrelevant in the assessment of acts of parasitism, in particular:

- good or bad faith: this is because for such a fault, it is a well-established rule that civil liability is incurred without any element of intent;
- changes to the economic behaviour of consumers.
- the competitive situation or the absence of competition between the parties.

Finally, it should be noted that, when an action for parasitism is brought simultaneously with an action for trademark infringement, it will not be admissible if it is based on the same facts as those relied on in relation to the infringement.

#### 4.2.2 Damage

Damage is constituted by the commercial disruption caused by the parasitic act to the company that is the victim. It may result from the detriment caused to the reputation and commercial success which are the result of significant marketing investments.

However, it is accepted that parasitic behaviour necessarily causes damage, even if it is moral damage.

#### 4.2.3 The causal link between the fault and the damage

In accordance with the generally applicable law of civil liability, the claimant in the action must establish the existence of a causal link between the fault - the unfair acts - and the damage for which it is seeking to be compensated.

However, as previously mentioned, it is settled case law that the damage is inferred from the unfair acts. As a consequence, the causal link between the originating fact and the damage is likewise presumed to exist in relation to unfair competition and parasitic competition.

### 5) Further to question 4):

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

No particular degree:

i) For Article L.713-5 of the French Intellectual Property Code to apply, it is sufficient that the trademark has a reputation.

A trademark has a reputation if it is known "*by a significant part of the public concerned by the products or services covered by that trademark*", that is to say if it enjoys "*a certain degree of knowledge amongst the public*".

In this regard, "*it cannot be inferred from either the letter or the spirit of Article 5(2) of the Directive that the trademark must be known by a given percentage of the public so defined*".

Once the trademark is considered to have a reputation, it benefits from special protection, without a greater or lesser degree of reputation being required per se.

Nevertheless, as indicated above, the courts can, when assessing whether detriment has been caused, take into account the strength of the trademark's reputation: the stronger it is, the easier it will be to accept that detriment has been caused to the trademark.

ii) As far as an action for parasitism under generally applicable law is concerned, no particular degree of knowledge of the trademark is required since this action is not based on a trademark right.

However, the company that is the victim of the parasitism must establish the reputation and/or the fact of the investments made for the distinctive sign in question.

b)	who bears the burden of proof regarding the requirements?
	<p>In accordance with a general principle of law, the claimant bears the burden of proving the facts it alleges; this applies both:</p> <ol style="list-style-type: none"> <li>1. under the special regime instituted by Article L.713-5 of the French Intellectual Property Code, for proving the unjustified exploitation and</li> <li>2. in actions for liability under generally applicable law on the basis of Article 1382 of the French Civil Code, for proving the fault/damage/causal link between the fault and the damage, with it being specified that the Court of Cassation has stated that this action for parasitism can arise <b>from a combination of assumptions</b> and (that) the damage can be inferred from the recognition of the wrongful parasitic act.</li> </ol>
c)	must the use at issue cause confusion?
	<p>no</p> <p>Please comment:</p> <p>Proof of a likelihood of confusion in the mind of the public between the signs in question is not a necessary condition for the success of an action for parasitism, whether it is based on the special provisions of Article L.713-5 of the French Intellectual Property Code or on Articles 1382 et seq. of the French Civil Code.</p> <p>However, even though likelihood of confusion is not a requirement for protection, the case law sometimes takes account of the existence of such a risk when considering actions for parasitism, on the basis of Article L.713-5 of the French Intellectual Property Code or on the basis of the generally applicable law.</p>
d)	can the protection be invoked in case of both similar and dissimilar goods/services?
	<p>yes</p> <p>Please comment:</p> <p>i) the French legislator had only provided for protection against the use of the reputed trademark for goods and services dissimilar to those designated in the registration, that is to say beyond the principle of speciality applicable under trademark law.</p> <p>However, in accordance with the Community case law, the French courts have extended the protection to identical or similar goods and services.</p> <p>ii) Moreover, an action for parasitism based on Articles 1382 and 1383 of the French Civil Code can be brought if the parties belong to different sectors and offer different goods/services as well as if they are competitors.</p> <p>As previously emphasized, the question of whether or not there is competition between the parties is not a necessary criterion for the purposes of the assessment of parasitism, wrongful conduct only can result in an operator in the market being found liable.</p>
e)	are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they?

The assessment of acts of parasitism, in the context of both protection of reputed trademarks and civil-liability actions, is based on a global analysis of all factors relevant to the circumstances of the case.

As far as the protection of reputed trademarks is concerned, the Court of Justice of the European Union has stated that, in the context of such a global assessment, the existence of a likelihood of dilution or tarnishing of the trademark may also be taken into account, where appropriate.

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?:

The defendant has at his disposal the following defences to justify the use of a third party's trademark:

6.1 In the context of Article L.713-5 of the French Intellectual Property Code:

6.1.1 The defendant has available to it a first defence: to challenge the proof of i) the validity / the reputation of the trademark relied upon and ii) the detriment / the unjustified nature of the contested exploitation.

6.1.2 The contested use may be exonerated by the existence of a due cause (defence arising from Article 5(2) of Directive 89/104 and the judgments of the CJEU).

By way of example, the CJEU has considered that there is due cause:

- When, in the use of a keyword corresponding to a trademark with a reputation, the advertisement resulting from it proposes an alternative to the goods or services of the owner without offering a mere imitation of the goods or services of the owner, without adversely affecting the reputation of the trademark or its distinctive character and without, moreover, adversely affecting the functions of the said trademark, the use has a due cause.
- When, in the use of a sign similar to a trademark with a reputation in respect of identical goods, the sign was used prior to the filing of that trademark and the contested use (in respect of goods identical to those of the trademark with a reputation) occurred in good faith, such that it appears to be a natural extension of the range of goods. For an assessment of good faith, the following should be taken into account:
  - the extent to which the reputation of the contested sign is established with the relevant public;
  - the degree of proximity between the goods for which the contested sign was originally used and the product for which the trademark with a reputation has been registered;
  - the economic and commercial significance of the use for this product of the sign that is similar to this trademark.
- No/little application in France of this exemption for "due cause".
- 6.1.3 Other defences are also available to the defendant, depending on whether it uses the contested sign i) to designate the goods and services of the owner or ii) its own activity:
  1. *Defences in the event of use of the contested sign to designate the goods/services of the owner*
- The defendant may deny that it has used the third party's sign in the course of trade. Specifically, the contested exploitation could be justified if it is proven that it occurred:
  - in the context of exercising freedom of expression / for polemical purposes;
  - to designate the contested sign in its ordinary meaning;
  - by way of description or decoration.
- The defendant may also rely on the regulations relating to comparative advertising, which permit it to use a third party's sign provided that this use complies with the conditions for the lawfulness of this type of advertising

In this regard, Article L.121-9 of the French Consumer Code prohibits in particular any advertising which:

- takes unfair advantage of the reputation attached to a trademark;
  - leads to the discredit or denigration of a trademark;
  - creates confusion between the advertiser and a competitor or between the trademarks;
  - presents goods or services as an imitation or reproduction of goods or services benefiting from the protected trademark.
- Finally, the defendant may argue that the reference to the sign was of a “necessary” nature (Article L.713-6 b) of the French Intellectual Property Code).

*(ii) Defences in the event of use of the sign to designate the defendant’s own activity*

- ; The use of the contested sign, as a company name, a trade name or a brand name, can be legitimate if it is indeed the use, by a third party in good faith, of its own family name or if the third party can prove a prior use of the sign.
- The defendant can argue that the public will not establish any link between the two signs and, therefore, that there can be no detriment to the trademark;
- Extinction of rights due to acquiescence has recently (Cass.com 6 January 2015 “Match”) been considered to be a valid defence vis-à-vis of a reputed (French) trademark. Until then, the *Cour d’appel* (Court of Appeal) of Paris had only taken into account acquiescence of the contested use to assess whether the detriment relied upon actually existed and the scope of the detriment;

6.2 In the context of Article 1382 of the French Civil Code:

6.2.1 The existence and/or the proof of the requirements for the action may be disputed by the defendant:

- the defendant may refer to any evidence to persuade the Court that no fault was involved with the exploitation.
- the defendant may deny **damage** suffered by the claimant : a weak defence since the damage can be presumed in that it is necessarily inferred from the fault that has been ascertained, which generates commercial disruption or moral damage.

Moreover, the *Cour de cassation* specified that “*the damage suffered on account of acts of unfair competition and parasitism is not identified on the basis of the savings made by the perpetrator of these acts*”. The damage must be personal to the owner of the rights.

- the defendant may deny causal link between the two, which is also presumed to exist.

6.2.2 The defendant who is accused of riding on the coat-tails of a third party can demonstrate its own reputation, the amount of the investments devoted to the disputed exploitation or its creative efforts.

6.2.3 Conversely, an absence of confusion is not an admissible defence in the context of this action.

6.2.4 The defendant may also rely on the principle of freedom of trade and industry, which prohibits any monopoly in the absence of industrial property rights, which are by definition not relied upon in this type of action.

- 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?

It is for the defendant to provide proof of the abovementioned defences.

Like any conventional defence, the existence of a "due cause" must be proven by the defendant (CJEU "Red Bull" 6 February 2014 C-65/12; CJEU "Intel Corporation" 27 November 2008 C-252/07).

To date, we are not aware of any examples of case law in which use with a due cause preventing enforcement of Article L.713-5 of the French Intellectual Property Code could nevertheless be unfair within the meaning of Article 1382 of the French Civil Code.

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 depends on the circumstances of the case and on whether the defendant uses the sign i) to make reference to the goods/services of the owner or ii) to designate its own goods/services.

i) *A priori*, in the first case, the defendant should have to limit itself to the use approved by the Courts, without seeking more rights over the sign.

ii) In the second case:

- The same applies if the contested use has been justified on the basis of a prior use in good faith as a company name, pursuant to Article L.713-6 a) of the French Intellectual Property Code.

- On the other hand, if the use of the sign is justified for the following reasons:

- the public is not able to establish any link between the signs in question,
- the reputation of the trademark and/or the unjustified nature of the exploitation are not established, the defendant could obtain more rights over the second sign (e.g. a trademark) in application of the principle of speciality (i.e. for goods/services that are different from those of the owner).- Note that in the context of a defence based on "due cause", the CJEU has clearly stated that *"the concept of 'due cause' is intended, not to resolve a conflict between a mark with a reputation and a similar sign which was being used before that trademark was filed ... the claim by a third party that there is due cause for using a sign which is similar to a mark with a reputation cannot lead to the recognition, for the benefit of that third party, of the rights connected with a registered mark, but rather obliges the proprietor of the mark with a reputation to tolerate the use of the similar sign and of the Community case law"* (CJEU "Red Bull" 6 February 2014 C-65/12).

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

As indicated above, parasitism is based:

- on the one hand, on Article L.713-5 of the French Intellectual Property Code relating to reputed trademarks;
- on the other hand, on the generally applicable law of civil liability, which is governed by Articles 1382 and 1383 of the French Civil Code.

Parasitism is thus invoked in civil proceedings before the *Tribunal de Grande Instance* (Regional Court) or *Tribunal de Commerce* (Commercial Court) which is ruling on the merits and/or in interlocutory proceedings.

#### 1. The action for parasitism based on Article L.713-5 of the French Intellectual Property Code

**i)** Article L.716-1 of the French Intellectual Property Code sets out the cases of detriment to trademark rights that result from the violation of the prohibitions laid down in Articles L.713-2, L.713-3 and L.713-4 of the same Code.

Article L.713-5 of the French Intellectual Property Code is not referred to in that article, and so an action under civil liability against a third party which has taken unfair advantage of a reputed French trademark does not constitute a trademark infringement action.

This is a specific civil-liability action relating to a trademark which, for these purposes, falls under the special public-policy jurisdiction of the said *Tribunaux de Grande Instance* (Regional Courts) listed in Article D.211-6-1 of the French Code of Judicial Organisation.

For its part, an action based on a reputed Community trademark constitutes an infringement pursuant to Article L.717-1 of the French Intellectual Property Code and Article 9(1) of the CTMR:

“The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

.....

(c) any sign which is identical with, or similar to, the Community trademark in relation to goods or services which are not similar to those for which the Community trademark is registered, where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trademark.”

The *Tribunal de Grande Instance* of PARIS has exclusive jurisdiction to deal with actions relating to Community trademarks (Article R.211-7 of the French Code of Judicial Organisation).

**ii)** More specifically with regard to interlocutory or emergency proceedings, the specific provisions of Article L.716-6 of the French Intellectual Property Code, which grant the President of the *Tribunal de Grande Instance* jurisdiction to order interlocutory prohibitory injunctions, are applicable only to infringement actions and, accordingly, only to detriment caused to reputed Community trademarks (Cass. Com. 3 December 2002 no. 99-21888).

Detriment caused to a reputed French trademark may be the subject of interlocutory proceedings under the generally applicable law before the President of the *Tribunal de Grande Instance*, on the basis of Articles 808 and 809 of the French Code of Civil Procedure (see Q214).

#### 2. The action for parasitism based on the generally applicable law of civil liability.

**i)** An action for parasitism may be brought on a stand-alone basis, with the claimant deliberately not relying on the rights over its trademark (either because the trademark in question is at risk of being declared invalid, or else because the requirements for bringing an infringement action are not met,

or quite simply to avoid the rigorous *Tribunaux de Grande Instance*).

In principle, an action for parasitism is traditionally brought before the *Tribunaux de Commerce* (Commercial Courts) which have jurisdiction pursuant to Article L.721-3 of the French Commercial Code to deal with cases of a delictual or quasi-delictual nature that arise between tradespeople in the course of their professional activities (TGI PARIS 5 December 2013 Case no. 13/10147, lack of jurisdiction in favour of the *Tribunal de Commerce*).

Nevertheless, no matter the characterisation chosen by the claimant for his action, as long as the latter, and the claims made, imply the existence of a trademark and are of such a nature as to have an impact, even though this may be indirectly, on the rights over this trademark, the *Tribunal de Grande Instance* retains exclusive jurisdiction to rule on the action.

**ii)** An interlocutory action remains possible and is based on the provisions of generally applicable law of Articles 808 and 809 of the French Code of Civil Procedure, before the President of the *Tribunal de Grande Instance*; where applicable on those of Articles 872 and 873 of the Code of Civil Procedure, before the President of the *Tribunal de Commerce*.

b) court in other proceedings;

yes

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

Only a **trademark infringement**, which also constitutes a criminal offence under Articles L.713-2 and L.713.3 of the French Intellectual Property Code, **can be the subject of criminal proceedings** before the *Tribunal Correctionnel* (Criminal Court). Therefore, **this is the case for parasitism associated with a reputed Community trademark**.

**On the other hand, parasitism based on** a reputed French trademark (which does not constitute an infringement) or else based on civil liability under generally applicable law **cannot be the subject of criminal proceedings**, as no act constituting a criminal offence has occurred

c) opposition proceedings;

no

Please comment:

#### 1 Reputed trademarks

Before the INPI, in the context of an opposition filed against a French trademark or the French part of an international trademark, it is possible to invoke an earlier well-known mark within the meaning of Article 6*bis* of the Paris Convention or the reputation of a trademark. Nevertheless, if the opposition is based on a well-known mark, only identical or similar goods and/or services can be contested.

On the other hand, before the OHIM, the Regulation enables the proprietor of a national or Community trademark with a reputation to object to the registration of an identical or similar earlier Community trademark designating different goods or services (see CTMR. Art. 8(5)).

#### 2- Civil liability under generally applicable law

Parasitism cannot be invoked in opposition proceedings, whether these be:

- against a French trademark before the INPI,

- or against a Community trademark before OHIM.

This is because the Offices rule exclusively on questions of the reproduction and imitation of trademarks and of the goods and/or services in question

d) any other?

yes

if so what, proceedings?:

Parasitism based on civil liability under generally applicable law may, under certain circumstances, be invoked in the context of arbitration proceedings under the conditions laid down in Articles 2059 and 2060 of the French Civil Code, whether or not these are connected with a trademark infringement claim (Article L.716-4 of the French Intellectual Property Code).

Parasitism based on detriment caused to a reputed trademark can also be the subject of arbitration proceedings.

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

**i) In civil proceedings :**

The requirements for bringing an action for parasitism based on civil liability are those stipulated with regard to the substantive law, whether the action is brought before the *Tribunal de Grande Instance* or before the *Tribunal de Commerce* (previous question no. 4).

The requirements for bringing an action for parasitism based on Article L.713-5 of the French Intellectual Property Code are likewise the same as those stipulated with regard to the substantive law (previous question no. 4).

**ii) In criminal proceedings :**

An action brought on the basis of detriment caused to a reputed Community trademark does not require proof of intent or bad faith, with mere negligence or recklessness being sufficient to satisfy the mental element.

**iii) With regard to interlocutory proceedings before the *Tribunal de Grande Instance* or the *Tribunal de Commerce*, the requirements for eligibility are fixed by Articles 808 and 809 and 872 and 873 of the French Code of Civil Procedure.**

Articles 872 and 808 of the French Code of Civil Procedure allow the President of the Court, in urgent cases, to order all measures that do not encounter any serious challenge or which the existence of a dispute justifies.

Articles 809 and 873 of the Code of Civil Procedure allow the President of the Court, even where confronted with a serious challenge, to order protective measures or rehabilitation measures either to avoid imminent damage or to abate a manifestly illegal nuisance.

## 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?:

The French Group considers that it is necessary and appropriate to protect the owner of a reputed trademark (that is the subject of a title or is well-known) against those who would seek to take advantage of the reputation and the attractive force associated with it or the investments that its owner has made for the purposes of promoting it.

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

yes

Why?:

To guarantee this protection, the French system also provides for:

- Actions for infringement by imitation of a trademark, on the basis of Article L.713-3 of the French Intellectual Property Code.
- The comparative advertising regime, on the basis of Article L.121-9 of the French Consumer Code.
- Protection against misleading commercial practices, on the basis of Article L.121-1 of the French Consumer Code.

The French Group considers that these protections, which cover various situations, are both useful and necessary to deal with the types of misconduct here referred to.

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

yes

Why?:

The French Group considers that the French system, which is based on two complementary actions, is relevant and appropriate.

Specifically, Article L.713-5 of the French Intellectual Property Code enables the owner of a reputed trademark (which is the subject of a title or is well-known) to prohibit its reproduction or imitation by a third party who wishes to take advantage of it, quite apart from any "infringement".

For its part, Article 1382 of the French Civil Code protects the owner of a trademark not only against the use of the distinctive sign itself but also beyond this, provided that wrongful parasitic act is established. It thus allows a third party to be held liable if, without necessarily taking over the distinctive sign, the latter takes advantage of its reputation or of the investments that its owner has made.

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

no

Why not?:

The French Group considers that the possibility to invoke the protection based on the reputed trademark should not be offered by opposition proceedings against a French trademark or the French part of an international trademark before the INPI, even if this is inconsistent with opposition proceedings before OHIM, in which the protection derived from the reputed Community trademark may be invoked.

The French Group considers that it is not for the French Office to rule on the question of whether or not a trademark has a reputation.

Likewise, the French Group considers that parasitism on the basis of civil liability under generally applicable law should not be invoked in the context of opposition proceedings before the Offices, but rather exclusively before the civil courts.

Finally, parasitism on the basis of civil liability under generally applicable law or else of a reputed French trademark should not be invoked in criminal proceedings, since this is not an act which constitutes an offence.

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?

The Group raised the following points:

1. Likelihood of confusioni) In trademark law: This requirement is not necessary for an act of parasitism pursuant to Article L.713-5 of the Intellectual Property Code applicable to “reputed” trademarks. However, a number of jurisdictions do require it. On the other hand, a likelihood of confusion is required for a trademark infringement action. ii) In general civil law: This requirement is not necessary either in order to establish parasitism. On the other hand, it may be necessary for the purposes of the application of the general regime for unfair competition. **Would constitute an improvement in current French civil law a stipulation stating that whatever the basis chosen to bring those actions relating to parasitism, the likelihood of confusion is never a necessary requirement.**

2. Likelihood of association and evocation

The Group notes the necessity of clarifying whether these criteria are taken into account in the assessment of parasitism because the case law is not consistent on these points.

3. “Reputed” trademark known by a significant part of the public concerned:

For the purposes of the assessment of the reputation of trademarks, the Group has noted significant variance. It considers that greater consistency in the assessment of “significant part of the public concerned” would be useful, though without a wish to have precise thresholds.

4. Harmonisation of the provisions applicable to French trademarks with those relating to Community trademarks.

### III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

The French Group considers that harmonisation in this area is necessary.

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?

As the Group answered question 11a) and question 11b) in the affirmative, this question does not need to be answered.

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.:

a) The French Group considers that it would be appropriate to proceed to an harmonisation of the definitions on two levels:

- Firstly, it would be appropriate to harmonise the regime for protection against parasitism on the basis of reputed trademarks. This harmonisation could be undertaken on the basis of Article 5(2) of Directive 89/104/EEC relating to Community trademarks.

In this regard, the Group considers that it would also be necessary to harmonise the definition of reputed trademark, as already mentioned in resolutions Q214 (Definition / likelihood of dilution) and 234 (Relevant public)

- Secondly, it would be appropriate to harmonise the definition of the concept of "taking of unfair advantage of trademarks" or "parasitism/free riding" to the definition present in point 1) of the Working Guidelines, namely "to take advantage of the reputation attached to a third party's trademark, in order to benefit from the attractive force of that trademark, and the efforts expended by the rights holder in creating that attractive force".

In this regard, the French Group considers that it would be necessary to incorporate into this

definition certain non-exhaustive criteria that characterise parasitism, such as the likelihood of association and/or of evocation.

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.:

The French Group considers that it would be appropriate to harmonise the definitions of the other uses mentioned in 1b) and 11b).

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

The French Group considers that the current French system, which allows parasitism to be punished by way of two actions (one based on the special law of trademarks in respect of reputed trademarks, and the other on the generally applicable law of civil liability), is appropriate and gives the owner of a trademark relatively broad and sufficient protection against free riders.

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?

We consider that the level of reputation required by the French substantive law specific to reputed trademarks is adequate, i.e. it is sufficient that the trademark has a reputation, that is to say that it is known "*by a significant part of the public concerned by the products or services covered by that trademark*", with there being no requirement for it to be known by a specific percentage of the public (see point 5a) in particular, and resolution Q234).

**The Group does not support the setting of a precise threshold to establish the reputation of a trademark.**

Likewise, with regard to the generally applicable law of civil liability, the French regime seems satisfactory to us in so far as it allows multiple forms of unfair and/or parasitic acts to be punished without requiring a particular level of reputation of the distinctive sign relied upon.

The applicable evidential rules, both in the area of trademark law and in that of the generally applicable law, appear to us to be satisfactory (i.e. the claimant bears the burden of proving the reputation and the detriment, and the defendant bears the burden of proving the defences), cf. 5b and 7 above.

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.

i) In the context of protection on the basis of trademark law, the following defences and/or limitations should be able to be applicable:

- Ability to challenge the reputation of the trademark relied on and of the detriment caused to the latter



- by the contested use, in accordance with the definitions laid down by the legislation and the Community case law for these two concepts (see point 4 above);
- Existence of a due cause for the contested use pursuant to Article 5(2) of Directive 89/104 and the case law of the CJEU (see point 6.1 above);
  - No use of the contested sign “in the course of trade” (see point 6.1 above), that is to say use:
    - in the context of exercising freedom of expression or of making parodies and/or for polemical purposes;
    - to designate the contested sign in its ordinary meaning;
    - by way of description or decoration.
  - Use having occurred in the context of lawful comparative advertising authorised by the French Consumer Code and by French and Community judgments
  - “Necessary” nature of the reference to the owner’s trademark (see point 6.1 above); (*When the contested use serves to designate the defendant’s own activity*):
  - Use, as a company name, trade name or brand name, by a third party in good faith of its family name or in the context of a prior use (see point 6.1 above);
  - Absence of links between the two signs (see point 6.1 above);
  - Application of the extinction of rights due to acquiescence (see point 6.1 above).ii) In the context of protection on the basis of the general rules of civil liability, the following defences and/or limitations should be able to be applicable:
    - Absence of fault, damage and/or causal link between the two (see point 6.2 above);
    - Dispute of the investments and promotional resources devoted to the trademark(see point 6.2 above);
    - Demonstration of the defendant’s own efforts which preclude parasitism (reputation, investments, creative efforts) (see point 6.2 above);
    - Application of the principle of freedom of trade and industry(see point 6.2 above).With regard to the effects of these defences, *a priori* if the defendant uses the contested sign by making reference to the goods and services of the trademark owner, it should have to limit itself to the use as it was approved by the Courts, without seeking to obtain more rights over the sign.The same applies if it uses the contested sign to designate its own goods and services if this use has been justified on the basis of a prior use in good faith as a company name, trade name or brand name.However, if the use of the sign is justified on account of there being no links between the signs, the trademark relied on having no reputation and/or the disputed exploitation being of an unjustified nature, or by the effect of the extinction of rights due to acquiescence, it would seem appropriate for the defendant to be able to obtain more rights over the second sign, in accordance with the principle of speciality.

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

The defendant should bear the burden of proof in respect of the defences on which it seeks to rely.

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

The French Group considers that parasitism on the basis of a reputed trademark should be able to be invoked in the context of infringement actions before the civil courts, and should be able to benefit from the same protection as the one granted to a trademark which is not classed as having a reputation in order for it to be possible to have recourse to the specific procedures of infringement seizures (*saisies-contrefaçon*) and provisional prohibitory injunctions in particular.

The French Group considers, on the other hand, that parasitism should not be invoked in criminal proceedings, as the offence that it would be alleged to constitute is difficult to characterise.

Finally, the French Group considers that parasitism should not be able to be invoked before the Offices

in the context of opposition proceedings.

## Summary

### **The taking of unfair advantage from trademarks is protected in France through:**

**(1) Action for usurpation of a reputed trademark** (trademark law Article L.713-5) which is not trademark infringement action, for registered trademarks enjoying a “reputation”, and well-known unregistered trademarks, beyond the principle of specialty of trademarks, for both similar or dissimilar goods /services.

Conditions for this protection are in accordance with the Community Case law:

- the trademark is known by a significant part of the public, etc;
- the public makes a link/connection between the reputed trademark and the disputed sign;
- the use of the disputed sign could take unfair advantage of the reputed trademark.

There is no need for existence of a likelihood of confusion, changes of the economic behaviour of the consumer, bad faith of the defendant.

**(2) Action for parasitism or free riding pursuant to the general civil law** (Article 1382 and followings of the French Civil Code) and its developments in case law, for which no trademark right is required.

Conditions are:

- “Fault” which is characterized when, “*for profit and in an unjustified way*”, the defendant “copies” an “economic asset” of the claimant, which could be a distinctive sign/trademark.

Unlike unfair competition in general (which in France cannot arise from a combination of assumptions), this particular form of unfair competition – parasitism – which consists of an economic operator riding on the coat-tails of another by taking undue advantage of the investments made, or of its reputation, arises from a combination of elements assessed globally;

- Damage and link between the fault and the damage, both generally inferred when the fault is characterized.

Unlike other unfair competition actions, action for parasitism can be brought if the parties are not competitors.

### **Proposals for improvement of French current law**

The French Group considers that its system, based on two complementary actions, is appropriate, but could be improved (i) by complete coherence when applying the trademark law in relation with French and community trademarks, and (ii) in clarifying certain notions, considering that case law is not

consistent.

**Harmonization:**

1- Trademark laws:

- Harmonization could be undertaken on the basis of Article 5(2) of Directive 89/104/EEC relating to Community trademarks. In this regard, the Group considers that it would also be necessary to harmonize the definition of “reputed trademark”, as already mentioned in resolutions Q214 (Definition / likelihood of dilution) and 234 (Relevant public).

- Harmonization of the definition of “*taking of unfair advantage of trademarks*” or “*parasitism/free riding*” could be undertaken on the basis of the definition stated in point 1) of the Working Guidelines, namely “*to take advantage of the reputation attached to a third party’s trademark, in order to benefit from the attractive force of that trademark and from the efforts expended by the right holder in creating that attractive force*”.

In this regard, the French Group considers that it would be necessary to incorporate into this definition certain non-exhaustive criteria that characterise parasitism, such as the likelihood of association and/or of evocation.

Furthermore, the French Group considers that parasitism on the basis of a reputed trademark should be able to be invoked in the context of infringement actions before the civil courts, and should be able to benefit from the same protection as the one granted to a trademark which is not classed as having a reputation in order for it to be possible to have recourse to the specific procedures of infringement seizures (*saisies-contrefaçon*) and provisional prohibitory injunctions in particular.

2- In general:

The group considers that the current French system is appropriate and gives relatively broad and sufficient protection against free riders, the defendant having enough defences for resulting in a balanced protection system. The system allows to punish the “*taking of unfair advantage of trademarks*” by way of two actions, one starting from the recognition of an IP right for a trademark enjoying reputation, and the other starting by the recognition of a “*fault*”, both actions taking into account a combination of elements assessed globally.

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.