



Date: 15th June 2015

## Q245

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

**Responsible Reporters: by Sarah MATHESON, Reporter General John OSHA and Anne Marie VERSCHUUR, Deputy Reporters General Yusuke INUI, Ari LAAKKONEN and Ralph NACK Assistants to the Reporter General**

National/Regional Group	Independent member 1
Contributors name(s)	Crystal CHEN
e-Mail contact	cjchen@tsailee.com.tw
Date	15-06-2015

#### 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.

We called it a protection against "dilution" and is regulated under the Trademark Act and Fair Trade Act. The protection is only provided for well-known trademarks and representations. The scope of dilution of a well-known trademark includes dilution of distinctiveness and reputation of the marks or representations in trade.

For an unregistered representation in trade, also known as trade dress, the protection against trade

dress dilution is adjudicated on a case by case manner. There is no clear definition as to what the basis is for the characterization of dilution against unregistered representation.

- 3) If such protection is available, what is the basis for the protection, e.g. trademark law (distinguishing between unregistered and registered trademarks where relevant), unfair competition, consumer protection law, common law? If multiple causes of action are available, is there an interaction between them, and if so, what?

The Trademark Act and the Fair Trade Act are the basis for the protection.

The Trademark Act and the Fair Trade Act, however, govern different causes of action:

(1) The Trademark Act protects unregistered or registered well-known trademarks from dilution of the distinctiveness or reputation of the mark.

(2) The Fair Trade Act protects unregistered but well-known trademark, trade name, container of goods, packaging, appearance or other representation of goods against free riding.

The only circumstance that both causes of actions may be available is when the mark is unregistered in Taiwan, but is well-known. If this is the case, both causes of action can be claimed in the civil litigation.

- 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?

Item 2 of Paragraph 1, Article 70 of the Trademark Act prohibits a third party from “knowingly using words contained in another person’s well-known registered trademark as the name of a company, business, group or domain or any other name that identifies a business entity, and hence there exists a likelihood of confusion on relevant consumers or a likelihood of dilution of the distinctiveness or reputation of the said well-known trademark.” The aforementioned conducts will be deemed as trademark dilution.

Article 22 of the Fair Trade Act prohibits a third party from using the well-known unregistered trademark, container of goods, packaging, appearance, or other representation of another on goods or services which are identical or similar to such person’s goods or services so as to cause confusion, or selling, transporting, exporting, or importing goods bearing the unregistered trademark.

Evidence of proofs is crucial in order to satisfy all the elements of the respective law.

- 5) Further to question 4):

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

In either cause of action, the registered/unregistered trademark must be well-known by domestic consumers.

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

The plaintiff bears the burden of proof.

c) must the use at issue cause confusion?

yes

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

Yes, there must be a likelihood of confusion caused by the use at issue.

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

yes

Please comment:

For use of identical or similar trademarks, the protection for a well-known trademark can cover both similar and dissimilar goods/services. ( Paragraph 1, Article 70 of the Trademark Act)

For use of identical or similar "trade dress," namely container of goods, packaging and/or other representation, the protection for a well-known trade dress only cover identical or similar goods. (Article 22 of the Fair Trade Act)

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

No.

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?:

Yes, there are defenses to the protection.

According to Article 36 of the Trademark Act, if the use of a trademark is descriptive, and the use is in good faith, such as descriptive of the place of origin, functional use, or *bona fide* prior use, such use of a trademark will not constitute trademark infringement.

According to Paragraph 3, Article 22 of the Fair Trade Act, following type of use of a trademark will not constitute an unfair competition:

1. using in an ordinary manner the generic name customarily associated with the goods or services, or the representation customarily used in the trade of the same category of goods or services; or selling, transporting, exporting or importing goods or services bearing such name or representation;
2. using in good faith one's own name, or selling, transporting, exporting or importing goods or services bearing such name;
3. using, with good faith, in the same or similar manner the representation referred to in the first or second subparagraph of the first paragraph before such representation having become commonly known to the public, or using such representation by any successor that acquires such representation together with the business from a bone fide user; or selling, transporting, exporting or importing goods or services bearing such representation.

7) Who bears the burden of proof in relation to any defences and/or limitations? In this context, please also consider the relationship with the element of "unfairness". For example, is it a defence that the use is with "due cause" (see paragraph 31 of the introduction) above and footnote 2) of the introduction? If so, can such use ever be "unfair"? Or is this just a matter of a shifted burden of proof?

The defendant bears the burden of proof. The defenses and/or limitations listed in Article 36 of the Trademark Act and Paragraph 3 of Article 22 of the Fair Trade Act may be classified as "due cause." Such use will not be deemed as unfair.

8) If a defence exists or only limited protection is available, what rights does that give the free rider? For example, may the free rider simply use the trademark or may the third party obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark?

The free rider may use the trademark if any defenses apply. If the free rider try to register a separate trademark in dissimilar goods or services, the owner of the trademark may seek remedies through trademark opposition or invalidation to cancel the said trademark.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes  
Please comment:

b) court in other proceedings;

no  
Please comment:

The protection cannot be invoked if the trademark at issue is not registered. If the trademark is registered, but the free-riding act is not causing any likelihood of confusion, or the free-riding act is not a trademark matter, a criminal action can hardly be invoked.

c) opposition proceedings;

yes  
Please comment:

Yes, an opposition is available if the free rider try to register a separate trademark in dissimilar goods or services.

d) any other?

yes  
if so what, proceedings?:

Invalidation proceeding. After the free rider's trademark is successfully registered, the trademark right owner can still seek invalidation proceeding to revoke the mark. ion, or the free-riding act is not a trademark matter, a criminal action can hardly be invoked.

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

Claims of trademark infringement can only be invoked in civil proceeding.

Requirement for evidence of proof will be the same.

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

11) Should there be protection against:

a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or

yes  
Why?:

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

yes  
Why?:

Free-riding acts are more and more frequent than the old-fashioned trademark copying act. We need a new resolution to combat against taking advantage of the reputation of the trademark. Our current law simply cannot catch this type of free riding act.

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

no  
Why not?:

The cause of action under current law structure will be highly likely to be categorized under the Fair Trade Act. Utation of the trademark. Our current law simply cannot catch this type of free riding act.

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

no  
Why not?:

No. Under the current system, the remedy under administrative proceeding (e.g. opposition or invalidation, unfair competition proceeding at the FTC) is limited, e.g. there is neither injunction order nor attachment order to be issued. Besides, the type of free-riding act may go beyond the scope of the Intellectual Property Office, which is the competent authority to grant trademark rights. We believe it is not necessary to invoke the protection in administrative proceeding.

In addition, criminal proceeding needs to be used prudently. We cannot justify the use of criminal action for the punishment or enforcement against free riders because there are too many gray areas in the issues such as reputation, likelihood of confusion, the level of well-known status and similarity.

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 complaints against unfair competition can be dealt with by the Fair Trade Commission (FTC), however, FTC has its discretion on whether to hold a hearing or not over the matter it handles. This puts the complainant in a disadvantageous situation because of no hearing at all during the FTC's adjudication. We would suggest that a hearing at the FTC should become mandatory, in which the parties can debate and present evidence before a FTC decision is made.

### 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?

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

no

Please comment:

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

no

Please comment:

No, since the concept of free riding and applicable law varies by countries, it will be difficult to harmonize the definition.

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

Unfair competition law.

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

The trademark should be at least have some fame in the relevant consumer's mind, if not yet to the well-known degree.

The Plaintiff should bear the burden of proof, while the court should order the defendant to prove otherwise. Whether the trademark is well-known or not is subject to the determination of the court, with the supporting evidence provided by the plaintiff.

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 affirmative defense of fair use defense, *bona fide* prior use defense, and functional use defense should be available.

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

The defendant should bear the burden of proof.

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

Civil proceeding only.

---

Summary

Please comment on any additional issues concerning the taking advantage of trademarks in the sense of parasitism and free riding you consider relevant to this Working Question.