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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	Israel
Contributors name(s)	David GILAT and Rakefet PELED
e-Mail contact	davidg@gilatadv.co.il
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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:

Israeli law provides protection against taking unfair advantage of trademarks, as defined in these Working Guidelines as **free riding** or **parasitism**.

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

no

Please comment:

The distinction made in this question is not clear to us. If the meaning of the question is whether there are cases in which free riding occurs without use of a trademark, then the answer is that the law is unresolved.

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.

Under Israeli law there is no single specific term for the notion of taking unfair advantage of trademarks. Various terms may be used alternatively, such as unjust enrichment, unlawful free riding the goodwill of another or parasitism. Such conduct may be prohibited according to different laws as developed in case law.

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 basis for protection may be for instance **unjust enrichment** as prescribed in the Unjust Enrichment Law^[1], **passing off, misrepresentation or blocking access to business** as prescribed in the Commercial Torts Law^[2], **Trespass on Goodwill** according to Property Law and **infringement of a registered trademark** or unregistered trademark as prescribed in the Trade Marks Ordinance^[3].

Footnotes

1. [^ Unjust Enrichment Law, 5739-1979.](#)
2. [^ Commercial Torts Law, 5759- 1999.](#)
3. [^ Trade Marks Ordinance \(new version\), 5732-1972.](#)

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?

a. Trademark infringement: The exclusive rights afforded by a registered trademark are stated in section 46(a) of the Trademark Ordinance which stipulates rather broadly that "..., *the valid registration of a person as proprietor of a trade mark shall give him the right to the **exclusive use of such trade mark upon, and in every matter relating to the goods** in respect of which it is registered.*

In the case of **McDonald v. McDonald (Alonial) Ltd.** (hereinafter: "**the McDonald case**")^[1], the court declared that the Trade Marks Ordinance is designed so as to prevent also cases of using another's trademark in a disparaging or denigrating manner. In said case, the court decided that the usage of a person's name (an individual called Ariel McDonald) in an advertisement of "Burger-King", a competitor of the plaintiff, was deemed trademark infringement:

"Indeed, even an advertisement which makes a 'use of a reputation in order to offend its owner' - as much as any commercial or other expression - may take refuge under the wings of the freedom of expression.... However, the purpose of the Trade Marks Ordinance, namely the values which it seeks to protect, justifies, in this case, the restriction of the commercial expression..."

It has further been held that there may be circumstances where trademark infringement could be established even absent confusion as to source or sponsorship^[2].

Trademark infringement is defined in the Trademark Ordinance as follows:

"... **"infringement"** means the use by a person not entitled thereto—

(1) of a registered trade mark, or of a mark resembling such a trade mark, in relation to goods in respect of which the trade mark is registered, or to goods of the same description;

(2) **of a registered trade mark in advertising goods of the class in respect of which the mark is registered or goods of the same description;**

(3) of a well known trademark even if it is not a registered trademark,

or a mark so resembling it that it could be misleading in relation to

goods in respect of which the mark is recognized or in respect of goods

of the same description;

(4) of a well known trademark, which is a registered trademark, or a mark resembling such a trademark, in relation to goods which are not of the same class, but only in case such a use may indicate a relationship between the mentioned goods and the owner of the registered trademark, and the owner of the registered trademark might be injured as a result of such a use."

Section 47 of the Trademarks Ordinance offers defenses against a trademark infringement claims in case of honest genuine description: "Registration under this Ordinance shall not prevent any genuine use by a person of his own name or of the name of his place of business or the name of the place of business of any of his predecessors in business or **the use by any person of any genuine description of the character or quality of his goods.**" This section did not provide a haven for the defendant in the aforesaid McDonald case, as the use was not made in good faith. In **Toto Zahav Subscribers Club Ltd v. Israel Sports Betting Council**^[4] it was held by the Supreme Court that:

"One who uses a registered trademark for the purpose of describing a product of the trademark owner would be entitled to the fair use protection only if three conditions are met: Firstly, the product is not easily recognized without the use of the trademark, secondly - the use of the trademark is does not extend beyond the necessary, thirdly - the trademark use does not imply an endorsement by the trademark owner."

However, not every repugnant use of another's trademark would necessarily amount to an infringement. Thus, in **Shlomo A Angel Inc v Y & A Berman Inc**^[4] ("**the Berman case**"), the Supreme Court upheld a decision of the Tel Aviv District Court, and ruled that the respondent's use of the mark LA'INYAN for a product identical to that sold by the plaintiff under the trademark EYNAN did not infringe the plaintiff's rights. Although the Supreme Court expressed its distaste from the respondent's choice of its trademark, absent confusion the plaintiff was not entitled to a remedy (the dissatisfaction of the court was expressed in its failure to order costs to the defendant).^[5]

- a. **Unjust Enrichment**, occurs where one benefits from the other in circumstances which are unjust or unfair, as stated in the Unjust Enrichment Law:

"Duty of Restitution

1(a) any person who unlawfully obtains any property, service, or other benefit (Hereinafter- the beneficiary) which extend to him from another person (Hereinafter - the benefactor) must return to the benefactor such benefit, and if restitution in kind is not possible or unreasonable -pay him in value."

...

Exemption from Restitution

2. *The Court may exempt the beneficiary from duty of restitution under section 1, in whole or in part, where it is of the opinion that such benefit does not involve any detraction from the benefactor or where other circumstances render restitution unjust.."*

These provisions were interpreted by the Supreme Court so as to afford a cause of action in certain cases of unfair competition. Thus, in **Leibowitz v. A. and Y. Eliyahu, Inc.**^[6] (hereinafter: "**the Leibowitz case**") it was held:

*"Free competition does not mean wild competition. It does not mean that the competitor, in the name of freedom of occupation, can do whatever he desires. Wrongful and unfair conduct on his behalf might constitute **the additional element**, which renders his enrichment unjust."*

As explained in the Leibowitz case, *"The additional element, which renders the enrichment of the competitor unjust, might be of two main kinds: (a) A wrongful and unfair conduct of the competitor, including conduct in bad faith. (b) Other circumstances which render the enrichment unjust..."*

Also see the recent Supreme Court judgment in the matter of **Elad Menachem Swissa and another v. Tommy Hilfiger and others**^[7] (hereinafter: "**the Tommy Hilfiger case**"), where it was stated that:

"In the aspect of unjust enrichment, it is possible that the trademark owner or the official importer will have a cause of action in case parallel importers will "free-ride" on the efforts of marketing and the investment in the marketing by the owner of the registered trademark. ...

It should be emphasized in that context, as already mentioned above, that marketing products that were imported in parallel importation is inherently based on the reputation attached to the products, and it does not constitute unjust enrichment. The actions of a parallel importer will be considered as unjust enrichment at the expense of the manufacturer or the official importer in case an "additional element" has accompanied his actions (as mentioned in the case Leibowitz). This is the situation for example when the parallel import is done following to a significant advertising campaign that was intended to enable the "penetration" of a new brand to the Israeli market, in which the exclusive importer has invested considerable resources."

- a. The tort of **Passing Off**, requires a showing of reputation and likelihood of confusion as to source or sponsorship. This civil wrong is prescribed in Article 1 of the Commercial Torts Law:

"A business shall not cause the goods he sells or the services he offers to be mistaken for the goods or services of another business or related to another business." The Commercial Torts Law further stipulates in section 1(2) that "[T]he use in good faith by a business of his own name, in order to sell his goods or offer his services, shall not of itself be regarded as passing-off."

- a. The tort of **False Description**, is prescribed in Article 2 of the Commercial Torts Law:

"2. (1) business shall not advertise, nor cause to be advertised, something that he knows or that he

ought to know is untrue with respect to his own business, profession, goods or services or those of another business (hereinafter: "false description").

(2) A person who distributes an advertisement of another person, or on behalf of another person, which contains a false description, or a person who decides to actually effect an advertisement containing a false description, shall not be liable under this section unless he knew that the description was a false description, or unless the description is, on its face, a false description."

a. The tort of **Unfair Interference**, is prescribed in Article 3 of the Commercial Torts Law:

"A business shall not unfairly prevent or burden the access of customers, employees or agents to the business, goods or services of another business." This section was used to prevent a competitor from unfairly obtaining the domain name of a competitor.^[8]

a. **Trespass on Goodwill according to Property Law** is a cause of action based on a combination of the Chattels Law and the Land Law and was developed by case law.

The courts have recognized that goodwill is a protected right according to the Movable Property Law^[9], and therefore (according to article 13 of said law) the self help provisions of the Land Law may be used to evict the defendant from goodwill of the proprietor. In this connection see **The Boeing Corporation Delaware Company v. Boeing Travel & Tourism Ltd.** (hereinafter: "**the Boeing case**")^[10], where the court prohibited a travel agency from using the name "Boeing":

"It appears that there is no disagreement, that reputation that a person has acquired for his business, is considered as property of that person... we have found that reputation is property. Indeed, it is not tangible property such as land or movable property, yet it is property, in the sense of a right. As such, based on the mentioned provisions, applies on it the protection over ownership and possession."

Footnotes

1. [^](#) CA 8483/02 McDonald v. McDonald (Alonial) Ltd. (published in "Nevo", March 30 2004).
2. [^](#) See for example the McDonald case: "The Trade Marks Ordinance, it is current version, prohibits the use of a trademark even if such a use is not causing confusion." See also CA 471/70 Geigy v. Pazchim, P.D. 24 (ii) 705 (1970).
3. [^](#) CA 3559/02 [2004] IsrSC 59(1) 872
4. [^](#) CA 5066-10, May 30 2013
5. [^](#) The court noted that, according to the Trademark Ordinance[<http://www.wipo.int/wipolex/en/details.jsp?id=8200>] , in order to establish the infringement of a well-known trademark with respect to goods of the same description, the plaintiff must show a "likelihood of confusion", regardless of whether the trademark is registered or not. It is only with respect to goods of a different description that a likelihood of association (ie, an "indication of a connection") would be sufficient in order to establish infringement of a registered well-known mark, provided that the interests of the owner of the registered trademark are likely to be damaged by such use. (c.f. Article 16(3) of the Agreement on Trade-Related Aspects of Intellectual Property Rights[http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm]).The Supreme Court left unresolved the question of whether the protection afforded to well-known trademarks may extend to local marks that do not enjoy recognition outside the jurisdiction of Israel.
6. [^](#) CA 371/89 (published in "Nevo", January 18 1990).
7. [^](#) CA 7629/12 (dated Nov. 16, 2014).
8. [^](#) CA 5579/01 Discopy (Israel) Ltd. v. Magnetics (published in "Nevo", July 29 2001).
9. [^](#) Movable Property Law, 5731-1971.
10. [^](#) 1769/83 The Boeing Company v. Boeing Tours Ltd, 5749/1989 (3) P.M. 108 [1989],

5)	Further to question 4):
a)	what degree of reputation, if any, in the trademark is required? The degree or reputation varies, depending on the circumstances and the goods or services. It is not obligatory to show an overwhelming goodwill in every case.
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? no Please comment: See above discussion of the McDonald's case. Where confusion is a required element of the tort evidence of actual confusion may not necessarily make a difference. Surveys may be adduced but it is not a must. The case law is not clear cut with regard to the question whether intial interest confusion would suffice.
d)	can the protection be invoked in case of both similar and dissimilar goods/services? yes Please comment: Protection may be afforded to both similar and dissimilar goods/services. In case of notorious marks the Dilution Doctrine would apply, as pronounced, e.g. in Karadi v. Bacardi Company Ltd^[1] : <i>"Dilution is defined as a situation in which a use of a powerful trademark is made without the permission of its owner and without causing confusion, in a manner that brings to erosion and blurring of the unique and qualitative image that the trademark succeeded in conveying to its consumers, and as a result, the positive image of the trademark among the consumer audience is impaired and its uniqueness is diminished. An erosion of the trademark image among the consumer audience also causes decline in the commercial value of the trademark, this is due to the decrease of the sales capability (or force) embodied in it."</i> Footnotes 1. [^] CA 6181/96 [1998], IsrSC 52(3) 276, 281-282
e)	are there any other factors, even if not a separate requirement, that may be relevant, and if so, what are they? Another factor that may be relevant is a defendant's lack of good faith, which may affect the ruling in favor of the plaintiff.
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?:

As noted above the defenses are set out in section 47 of the trademark ordinance and in section 1 of the Commercial Wrongs Law. When a trademark is "weak" similar marks may be used so as to prevent monopolisation of words that ought to remain open to the trade. Thus, in the matter of **"Family" - Religious Media and Education (1997) Ltd. v. SBC Advertising, Marketing and Sales Promotion Ltd. - "Good Family" Magazine**^[1] it was noted pursuant to Lord Simonds in *Office Cleaning Services*^[2] that "where a trader adopts words in common use for his trade name, some risk of confusion is inevitable. But that risk must be run unless the first user is allowed unfairly to monopolise the words." Accordingly the defendant may raise a defence that the use of the goodwill of another might be justified in order to prevent unfair monopolization of marks that are common to the trade or should remain open to the trade. Such a defence is unlikely to succeed when the defendant adopts the exact same mark of the plaintiff.

The limitation of protection can be taken also from the principle of "freedom of speech". In the case of McDonald, it was stated: "However, the purpose of the Trade Marks Ordinance, to say - the values which it seeks to protect, justifies, in this case, the restriction of the commercial expression...". However, in the matter of **Produits Nestle and others v. Espresso Club Ltd.**, which related to a free ride of a famous advertisement without actually using its trademark, the District Court decided in a motion for interlocutory injunction that a "parody" in a commercial advertisement may be excused under the freedom of creativity and expression principle. In a request to appeal from said decision the Supreme Court refrained from interfering in the lower court's interim decision, but stated that in the circumstances of the case the chances of success were even^[3].

Footnotes

1. [^](#) CA 5792/99, PD 75 (3) 933 (published 23.05.2001)
2. [^](#) *Office Cleaning Services, LD. v. Westminster Window and General Cleaners, LD. (1944) 63 R.P.C. 39., at p. 43*
3. [^](#) RCA 910/15 Sup.Ct. (12.5.2015)

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 regarding the defenses, as mentioned above, is on the defendant. It should be noted however that in order to show unjust enrichment, the burden is on the plaintiff to show that the enrichment was unlawful, since this is an element of the cause of action, as detailed above.

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?

If the defense exists, then generally the defendant may use or register the trademark. Nonetheless, this answer is not clear from doubts. According to section 11(6) of the Trademarks Ordinance, a mark is not eligible for registration if it encourages unfair trade. Thus, in the circumstances expressed in the aforesaid *Berman* case, it is not at all clear whether the Trademark Office will be compelled to allow the registration of the defendant's mark under section 11(6).

9) Can the protection be invoked in:

a) court in civil proceedings;
 yes
 Please comment:
 Protection is afforded in civil proceedings before the court.

b) court in other proceedings;
 yes
 if so what other proceedings (e.g. criminal proceedings):
 Protection is afforded also in criminal proceedings.

c) opposition proceedings;
 yes
 Please comment:
 Protection is afforded in pre-grant oppositions before the trademark office.

d) any other?
 yes
 if so what, proceedings?:
 Protection is afforded in revocation proceedings before the trademark office.

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 the mentioned proceedings are the same. However, there are differences when considering the burden of proof. In civil court proceedings, the burden of proof rests on the plaintiff, who is usually the trademark owner. In pre grant opposition proceedings however, the burden of proof rests on the applicant, and not on the trademark owner (the opponent).

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?:
 Protection against taking unfair advantage of trademarks as defined in these Working Guidelines should be afforded. This concept is in line with the spirit of trademark law, which encourages fair competition, and with the doctrine of unjust enrichment that is anchored in legislation. In this connection, one should also mention the obligation under Israeli law to act in good faith, which is an overarching principle. In addition, goodwill is a proprietary right protected under Basic Law: Man's

Dignity and Freedom.

The laws should be designed to cover all actions that undermine the fundamental underpinnings of trademark law, which basically deals with preventing unfair competition; c.f. Oliver R. Mitchell, "Unfair Competition" 10 Harvard L. Rev. 275 (1896) :

- *Logically speaking, the fact is that Unfair Competition is properly a generic title, of which trade mark is a specific division".*

See also: Mark P. McKenna, "The Normative Foundation of Trademark Law", 82 Notre Dame L. Rev. 1839 (2007)

- *Trademark law has not traditionally intended to protect consumers. Instead, trademark law, like all unfair competition law, sought to protect producers from illegitimate diversions of their trade by competitors.*

[The above articles were cited in Tel Aviv District Court judgment 2177/05 Adidas - Salomon v. Jalal Yassin and the State of Israel (judgment dated December 13, 2010).]

In principle every unfair riding on another's goodwill should be prohibited.

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

yes
Why?:

Protection against taking unfair advantage of trademarks outside the scope of the definition in these Working Guidelines should also be afforded. This concept is in line with the spirit of trademark law, which encourages fair competition, and with the doctrine of unjust enrichment that is anchored in legislation.

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

no
Why not?:

The basis for protection should not matter. It is desirable that no matter which form of protection is adopted all applicable causes of action should yield the same result. Nonetheless, it is preferred that such protection be adopted in legislation. In the domain of intellectual property, it has been held that court-made laws are undesirable.

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

yes
Why?:

Protection should be invoked in the proceedings mentioned in our response to question (9) above since the rationale is the same in both 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?

Sophisticated traders sometimes free ride the goodwill embedded in a trademark by adopting the

unique idea behind it without actually using the trademark itself. This may happen in advertisements for example. It must be acknowledged that such usurping of goodwill by another should be prohibited especially when it damages the goodwill.

III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

Harmonization is desirable especially in view of so-called "global market" considerations.

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?

Not applicable.

17) Should there be harmonisation of the definition of:

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

yes

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

The following proposal is based on Israel's Unjust Enrichment Law:

"The obtaining without legal cause of a benefit from another person's goodwill while causing detraction to such person"

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 following proposal is based on Israel's Unjust Enrichment Law:

"The obtaining without legal cause of a benefit from another person's goodwill while causing detraction to such person"

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

We think that the basis for protection should be by means of applying the Unlawful Enrichment 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?

Requirements for protection should be: (a) (i) high level of reputation of the trademark; and (ii) any kind of unfair usage by the infringer including usage of the trademark in order to insult its owner, or cases of diminishing the favorability of the mark; and (b) the plaintiff should bear the burden of proof.

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.

Limitations to protection should be: (a) lack of high level of reputation of the trademark; (b) genuine informative usage; (c) usage in good faith of the trademark by the defendant; (d) cases of parody not done for commercial needs or during commercial activities (e) weak distinctiveness.

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

The infringer should bear the burden of proof of elements (b)-(e) mentioned above. Element (a) above should be proved by the trademark owner.

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

This protection should be used in both types of proceedings mentioned in our response to question (9) above.

Summary

Israeli jurisdiction provides protection against taking unfair advantage of trademarks, defined in these Working Guidelines as free riding or parasitism. As Israeli law has no unique term for the notion of taking unfair advantage of trademarks, various terms have been used, in accordance with the laws that have been applied.

Israel's Trade Mark Ordinance [New Version] 1972, defines infringement, inter alia, as the usage of an other's registered trademark "in advertising goods of the class in respect of which the mark is registered or goods of the same description". The Unjust Enrichment Law^[1], has been developed by case law so as to accommodate cases of unfair competition. Unjust enrichment occurs when one benefits from another in a manner that is unlawful or unfair. The showing of an "additional element", such as wrongful and/or unfair behavior is required in order to establish this cause of action. Nevertheless, in recent years courts have been reluctant to award protection on this ground, absent a statutory wrongful act. Other grounds for such protection also include passing off, the tort of misrepresentation or blocking access to business, as prescribed in the Commercial Wrongs Law^[2], and dilution of goodwill, as prescribed in the Property Law.

We believe protection against taking unfair advantage of trademarks as defined in these Working Guidelines should be afforded. Aside from the obligation under Israeli law to act in good faith, which is an overarching principle, this concept is in line with the spirit of trademark law, which encourages fair competition, as well as the doctrine of unjust enrichment, which is anchored in legislation.

Footnotes

1. [^ Unjust Enrichment Law, 5739-1979.](#)
2. [^ Commercial Torts Law, 5759- 1999.](#)

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.

AIPPI