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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:

Luxembourg law provides, under a certain extent, for protection against the taking of unfair advantage of trademarks as defined in the Working Guidelines and called “parasitism”.

Parasitism is considered in Luxembourg as an unfair commercial practice and is prohibited under the law of 30 July 2002 as amended (the “**Law of 2002**”), regulating certain commercial practices, sanctioning unfair competition, misleading advertising and implementing EC Directive 97/55.

Moreover, unfair competition and parasitism give rise to civil liability under Article 1382 of the Luxembourg Civil Code.

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

yes

Please comment:

The trademark regime provides for protection against similar use through the concept of dilution of trademarks.

On the Luxembourg territory, trademarks can be protected through Benelux trademarks, which are governed by the Benelux Convention on Intellectual Property of 16 May 2006, as amended (the "**Benelux Convention**"), and/or through Community trademarks, as regulated by Regulation (EC) No. 207/2009 on the Community trademark ("**Regulation No. 207/2009**").

Both the Benelux Convention and the Regulation No. 207/2009 offer a specific protection to registered Benelux or Community trademarks which have acquired reputation respectively within the Benelux territory or the Community territory.

According to these texts, registered trademarks with reputation within the Benelux or within the European Community are protected against a non-authorised reproduction or imitation for identical, similar or non-similar goods and/or services which is likely to take unfair advantage of, or to be detrimental to, the distinctive character or the reputation of the earlier trademark with reputation.

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.

The protection is developed in case law and does not result of a statutory provision.

Luxembourg Court decisions refer to either "parasitism" ("*parasitisme*"), or "parasitical acts" ("*agissements parasitaires*") or "parasitic competition" ("*concurrence parasitaire*") to encompass cases when someone, without incurring any costs, follows in a third party's wake in order to take advantage of its investments and reputation, whereas parasitic acts incur when there is no relation of competition.

Protection against dilution is based on the Benelux and Community trademark regime (see question 1), whereas parasitism is based on the Law of 2002 and on the civil liability regime. Parasitism is therefore not characterised as a form of protection against dilution.

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?

Several causes of action are available under Luxembourg law:

- Unfair competition under the Law of 2002;
- Trademark law for registered Benelux or Community trademarks with reputation – however this is out of the scope of this questionnaire ;
- Civil liability under Article 1382 of the Luxemburg Civil Code;
- Consumer protection law under Luxembourg Consumer Code introduced by the law of 8 April 2011.

In order to avoid any overlapping, Luxembourg courts decide that, for a claimant bringing an action based on infringement and unfair competition simultaneously, he has to prove the existence of an act of unfair competition different from the alleged trademark infringement. It is therefore not possible to cumulate both actions if they tend to prohibit the same misconduct.

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?

• Unfair competition law / civil liability: in characterizing unfair competition, the judge will check if:

1. the use of the trademark used by another party is unfair or not. This is mainly a question of facts. As a rule, if the trademark is not registered or registered for other goods and services and if there is no infringement under trademark law, the use of the trademark of a third party is considered as fair. It is only in very limited cases, for instance where the parties are in commercial relationship or discussions or where it is obvious that a party try to take advantage of the marketing effort of the other that the judge will consider that the use of a third party's trademark is unfair without being an infringement under trademark law. The bad faith of the defendant is here a key element.

1. The owner of the trademark suffers a loss or at least a risk of a loss. In this respect, the judge will require a link or association with the trademark, and the change or a risk of change in the economic behaviour of consumers.

1. There is a direct causal link between the unfair use of a third party's trademark and the loss suffered by the trademark's owner.

Consumer protection law: practices that may mislead consumers are prohibited and especially, the promotion of a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing that the product is made by the same manufacturer when it is not. This regime results of the implementation into Luxembourg law of the

5) Further to question 4):

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

There is no specific degree of reputation required under Luxembourg law, but the more the trademark has a reputation, the better the chances of success will be.

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

The burden of proof bears on the claimant.

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)?:

Confusion between the marks is required in order to prove parasitism.

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

yes

Please comment:

The protection can be invoked in both cases, provided that bad faith is established.

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

If the action is based on the unfair competition law, according to Luxembourg case laws, the existence of a competitive relationship between the parties conditions the admissibility of the claim (Court of appeal, 28 April 1999; Court of appeal, 18 December 2002 ; Court of Luxembourg (Tribunal d'arrondissement), 7 October 2011).

Otherwise, if the parties are not competitors, the claim can be based on the general civil liability regime but in practice it will be harder to demonstrate that the conditions listed under Question 4 are met.

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?:

There are several defences and/or limitations to the protection:

- In case the claimant bring an action based on infringement and parasitism of a trademark simultaneously, the defendant could plead that there is no unfair competition different from the alleged trademark infringement.

- Comparative advertising: according to the Law of 2002, comparative advertising identifying goods or services offered by a competitor shall be permitted when the following conditions are met: (a) the advertising is not misleading, (b) it compares goods or services meeting the same needs or intended for the same purpose, (c) it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price, (d) it does not create confusion among traders, between the advertiser and a competitor or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor, (e) it does not discredit or denigrate the trademarks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor, (f) for products with designation of origin, it relates in each case to products with the same designation, (g) it does not take unfair advantage of the reputation of the trademark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products, (h) it does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name ;

- Non-respect of the conditions to be met in order to qualify an act as parasitism, i.e. (1) absence of

fault, (2) absence of loss, (3) absence of link between the fault and the prejudice.

- parody (see question 7) ;

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 in relation to any defences and/or limitations.

The defendant could invoke as a defence the purpose of parody and the freedom of expression, but only in the event of non-commercial uses of the trademark.

Parasitism implies the research of a profit, the commercialisation of the products and a use of the trademark in the course of trade (decision of the Court of appeal of Paris dated on 16 November 2005, “Esso c/ Association Greenpeace France”, n°09/19272).

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 simply use the trademark and the third party may not obtain a separate trademark registration in respect of the goods and/or services in respect of which the free rider is using the trademark.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

b) court in other proceedings;

no

Please comment:

c) opposition proceedings;

no

Please comment:

d) any other?

no

Please comment:

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

N/A

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?:

See under b) below

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

yes

Why?:

In our opinion, the trademark legislation covers already almost all the cases related to the taking unfair advantage of the distinctive character or reputation of the trademark trough the mechanism of dilution.

However, the concept of parasitism should still exist in order to regulate some limited situation regarding the undue use of a trademark with some level of reputation and in order to cover situation more general, outside of the scope of this questionnaire.

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

yes

Why?:

The basis for protection is relevant because conditions to initiate legal action are different: the action for parasitism is based on the civil liability and the action against dilution is based on an intellectual property right, which conditions are usually more restrictive.

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

no

Why not?:

N/A

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?

Currently, trademark law prohibits unfair registration of a trademark. It could also contain clear provisions about unfair use of a trademark, which is not registered or not protected for the goods or services at hand.

III Proposals for harmonisation

15) Is harmonisation in this area desirable?

yes

Please comment:

A harmonisation in this area is desirable.

If yes, please respond to the following questions without regard to your national or regional laws. Even if no, please address the following questions to the extent you consider your national or regional laws could be improved.

16) If your answer to question 11) is no in respect of a. and/or b., is it your view that no such protection should be available anywhere?

N/A

17) Should there be harmonisation of the definition of:

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.:

Yes, there should be a harmonisation of the definition of the taking of unfair advantage of trademarks as defined in these Working Guidelines.

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

yes

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

Yes, there should be a harmonisation of the definition of the use that we consider similar but outside the scope of the definition in these Working Guidelines.

That definition of dilution could be in line with the definition issued by the European Court of Justice (ECJ) in the "*L'Oréal v. Bellure case*" (C-487/87 para 49) dated 18 June 2009:

"where a third party attempts, through the use of a sign similar to a mark having a reputation, to ride on the coattails of the mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to

make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of the mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark".

18)	What should the basis for protection/cause(s) of action be?
	Protection should be found only in trademark legislation in view of consistency.

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?
	No level of reputation should be required (as it may interfere with the current protection of well-known trademarks) but the bad faith of the free rider should be required. Also, the law could set forth some case where the bad faith is assumed, the burden of proof to the contrary bearing on the defendant.

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 defences/limitations should be the same as applicable already (see questions 6 and 7), but more clearly framed, especially regarding the exception of parody.

21)	Who should bear the burden of proof in respect of any defences and/or limitations?
	See question 19 above

22)	In what type(s) of proceedings should it be possible to invoke the protection?
	It should be possible to invoke the protection in Court in civil but also criminal proceedings.

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.