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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:

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

yes

Please comment:

Confusion and Dilution

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.

Our trademark legislation does not have a specific section that deals with free riding. However, several articles make reference to the forbiddance of taking advantage/exploiting the notoriety or prestige of a sign.

The protection is located in a statutory provision.

In Paraguay the protection we are speaking of is not characterized 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?

The basis of the protection is the Trademark Law. As remarked in point 2), there is no specific section related to free riding. However, there are several references to the prohibition of taking advantage of the notoriety or prestige of a sign throughout the Trademark Law.

The first reference is in Article 2.g). This article makes reference exclusively to well-known trademarks, stating that *"The following may not be registered as trademarks: A sign that constitutes a total or partial reproduction, imitation, translation, transliteration, or transcription of a sign that is distinguishing, identical or similar, or notoriously well known in the pertinent sector of the public, which sign belongs to a third party, whatever the products or services to which the sign is applied, when its use or registration may be susceptible of causing confusion or risk of association with said third party, **or should signify an exploitation of the notoriety of the sign** or a dilution of its distinctive force, whatever the way or means by which the sign became known"*.

Based on the previously cited article, the holder of a well-known trademark has legal standing to file an opposition, a nullity action or an unfair competition action.

Holders of trademarks that are not considered as well-known also find protection in the Trademark Law, as a civil action may be filed by the rightful owner of a registered trademark or a tradename against anyone that infringes upon said right.

Article 84 of our Trademark Law states that a civil action can be filed against who uses in commerce a sign identical or similar to a trademark or commercial name for any products or services or activities when such use may be considered as an **unjust exploitation of the prestige of the sign or its owner**. It is irrelevant if the use has no commercial purposes.

Holders of IPR may also file an unfair competition action - Article 80 of our Trademark Law-. Despite the fact that there is a specific provision, acknowledging as an act of Unfair Competition the usage of a marketed product in order to mold, trace or otherwise improperly copy said product for commercial purposes, taking advantage of someone else's efforts or goodwill; the Trademark Law is not exhaustive. Therefore, if an act is considered to be *"contrary to good practice and honest use with regard to industrial or commercial matters"* it may be deemed as an act of unfair competition.

These actions can be simultaneously filed by the IPR holder.

Local registration is not a requirement to file any of the above cited actions.

- 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?

Elements:

- Reputation
- Actual advantage

Evidences:

- Reputation: Local and foreign registrations, advertisement materials, surveys, market studies.
- Actual advantage: There is no general rule because the Trademark Law does not provide a formula or presumes damage. Therefore, the evidences to be filed should be analyzed on a case by case scenario. However, the following could be deemed as relevant: a comparison between the plaintiff's sales from a moment prior to the infringement and the present situation; a study showing that the defendant's market share has grown since the infringement is taking place.

5) Further to question 4):

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

The Trademark Law does not establish a degree of required reputation.

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

The plaintiff.

c) must the use at issue cause confusion?

no

Please comment:

Confusion is not required

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

yes

Please comment:

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

There are not other factors

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?:

Previous local registration, descriptive use, comparative advertising.

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. It is just a matter of a shifted burden of proof.

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?

Unless an injunction or any pertinent preliminary measure is granted, or the defendant is deemed as infringer by a Civil Court, there are no restrictions for his/her actions

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;

yes

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.

Oppositions: The opposition basis must be a well-known trademark.

Nullity action: Previous IPRs. Bad faith must be proved only if the action is filed 5 years after the date the registration is granted.

Unfair competition - civil action: Previous IPRs.

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?:

A trademark can be affected by a third party's use even when there is no bad faith or the trademark has not yet acquired a certain degree of notoriety.

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

yes

Why?:

A trademark can be affected by a third party's use even when there is no bad faith or the trademark has not yet acquired a certain degree of notoriety.

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

yes

Why?:

Yes, because depending on nature of the trademarks, the causes of action can be different.

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

no

Why not?:

No, because in our country, depending on the type of protection invoked, there will be different types of proceedings involved

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?

By creating a specific section dealing with our topic, because our legislation is not sufficiently clear and broad as it should be.

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?

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.:

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.:

Use in commerce of a sign identical or similar to the trademark or commercial name for any products or services or activities, when such use implies an unjust exploitation of the prestige of the sign or its owner

Total or partial reproduction, imitation, translation, transliteration and transcription of a sign; the dilution of its distinguishing force, commercial or advertising value.

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

A minimum degree of reputation and unfairly acquired actual advantage

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?

A reputation below the degree of well-known trademarks. The plaintiff or the party claiming the protection

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 or limitations should be based on concepts mentioned in point 6): Previous local registration, descriptive use, comparative advertising.

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

Not to affect the prestige of the trademark.

Use in good faith of the sign for the same goods/services

As regards to advertising, only facts should be listed. Actions or general and indiscriminate statements, inducing consumers to establish the superiority of a product or service over another should be forbidden.

As stated in point 8), unless an injunction or any pertinent preliminary measure is granted, or the defendant is deemed as infringer by a Civil Court, there are no restrictions for his/her actions.

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

Oppositions, Nullity action, Unfair competition.

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.

Harmonisation in today's world is very important. Therefore, such step is strongly recommended also within this topic, at both, regional and international level

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