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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:

Spain is part of the European Union. Its laws were harmonised -other than for certain elements such as the definition of well-known trade mark and trade mark with a reputation- in line with articles 4.4.a) and 5.2) of the Harmonisation Directive (2008/95/EC) and its courts observe the standards set in the case law of the Court of Justice of the European Union.

The following should therefore be noted: (i) Spanish law provides protection against free riding or parasitism as defined in these Working Guidelines; (ii) it also provides protection against the likelihood of dilution in the strict sense, as defined in the Working Guidelines and which is not the subject of discussion in this Q; and (iii) additionally, it provides protection to curb a third risk element unrelated to the likelihood of confusion and not described in the Working Guidelines although it is similar to the aforementioned two risks, namely the so-called dilution by tarnishment:

that occurs when use of the sign without due cause may damage or be detrimental to the well-known character or reputation of the registered trade mark.

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.

This protection is usually referred to by case law as *protection of well-known or reputable trade marks*, and began to be developed after article 6<sup>bis</sup> of the Paris Convention ("PC"). This report -specifically paragraphs 3), 9) and 10)- refers to the laws currently protecting both registered and unregistered well-known trade marks, which are essentially Trade Marks Act 17/2001 ("TMA") and Unfair Competition Act 3/1991 ("UCA").

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.

Spanish Law neither defines trade mark dilution nor makes provision for any specific legal action in that connection.

In Spain, case law on the protection of well-known or reputable trade marks is highly casuistic and relies mainly on the expert evidence examined, having regard to the circumstances of each case. Reference could for illustration be made to the judgments handed down by Section 28 of the Provincial Court of Appeal of Madrid on 18<sup>th</sup> July 2006 and 19<sup>th</sup> July 2007, Section 15 of the Provincial Court of Appeal of Barcelona on 7<sup>th</sup> June 2005 and Section 3 of the Provincial Court of Appeal of Granada on 31<sup>st</sup> March 2001.

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?

Spanish case law has referred to the TMA as a special law that prevails over the UCA as a general law. Civil actions under the TMA and the UCA may be joined provided that certain procedural homogeneity requirements are met.

In that case, free riding may be covered by the TMA and the UCA, but the latter Act may only be used to make up for shortcomings in the TMA based on the principle of complementarity or statutory priority, but at no event to take its place or be substituted for it (as the First Chamber of our Supreme Court had it in a judgment dated 1<sup>st</sup> April 2004, inter alia).

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?

Article 34 TMA allows both the proprietor of a registered trade mark and the user of an unregistered well-known trade mark to take action against third parties if they use without permission a sign that takes unfair advantage of the reputation of a trade mark. They may also take action against those third parties under the UCA, as explained in the replies to questions 9) and 10).

The likelihood that the use of the sign "*may indicate a connection*" with the proprietor of the well-known or reputable trade mark is a ground that may be argued in order for trade mark infringement to be declared, but the occurrence of such a likelihood of association it is not essential. It is in addition possible for trade mark infringement to be declared "*where such use can take unfair advantage (...) of the well-known character or reputation of such registered trade mark*" (article 34.2.c TMA), even if that is unrelated to the likelihood of association.

The TMA configures protection objectively and does not expressly require that bad faith be involved in the unfair use.

There is no need to establish that consumer behaviour will be affected; it is sufficient for use of the sign to entail that risk, because it is likely to result in unfair advantage being taken of the reputation of the trade mark. There is no need either to prove that the parasite or free rider has actually obtained any advantage from the unfair use of another's trade mark; it is sufficient for such a use to be capable of so doing.

Proof of the above may be provided by any admissible means under Spanish laws, pursuant to article 299 of the Civil Procedure Act ("CPA"). The well-known character or reputation of a trade mark is usually established by means of market surveys, consumer polls, statements by Chambers of Commerce, and other entities or associations such as ANDEMA (National Trade Mark Enforcement Association), which several judgments in Spain have accepted as valid evidence.

5) Further to question 4):

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

It is sufficient for the trade mark to be established as being well known or having a reputation in Spain.

A well-known trade mark shall mean “those that are generally known by the relevant sector of public for which the goods, services or activities distinguished by that trade mark are designed, due to their sales turnover, duration, intensity or geographical scope of use, appreciation or prestige achieved in the market or for any other reason” (article 8.2 TMA).

And a trade mark is considered to have a reputation when it is known “to the public at large” (article 8.3 TMA).

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

Under general procedural rules, the burden of proof is for the proprietor of the trade mark whose reputation is being -or is likely to be- taken unfair advantage of by the defendant.

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)?:

In general, no degree of similarity is required between the signs such as to be able to conclude that a likelihood of confusion exists, but there is a requirement that all relevant elements, after applying uniform EU comparison standards, allow a connection to be established between the distinctive signs that is likely to cause any of the detrimental effects justifying legal protection for the same.

The connection shall be considered sufficient if it brings to mind the earlier trade mark among the relevant public. The Supreme Court has ruled to that effect in Spain, inter alia in judgments dated 23<sup>rd</sup> July 2012 (505/2012, case MARISTAS/REYAL URBIS) and 30<sup>th</sup> May 2013 (362/2013, case TUPPERWARE/TUPPERSEX, TAPERSEX).

It should in any event be noted that use without due cause is or may be detrimental to the functions of another’s trade mark. Accordingly, there is no requirement that evidence be produced of the occurrence of real-life situations of confusion in the market.

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

yes

Please comment:

Yes it can. Under article 8 TMA, protection may be invoked in cases of both identical and dissimilar use, where: (i) the use of the trade mark may indicate a connection between the goods or services covered by the trade mark and the proprietor; or (ii) in general, where such use, without due cause, can result in unfair advantage being taken of or a detriment to the distinctive or well-known character or reputation of the trade mark.

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

Factors that may be considered relevant, inter alia, include: (i) that the infringer has carried out or aided and abetted the carrying out of acts of unfair competition in accordance with the UCA and/or of misleading advertising in accordance with General Advertising Act 34/1988; and (ii) any other unlawful competitive action, such as recidivism copying the trade mark proprietor's signs or trade dress.

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 following are noteworthy among the limitations currently provided for in the Spanish laws:

(i) Use of a third party's trade mark as comparative advertising is allowed if it distinguishes another product and/or service, provided that:

a) the goods and/or services compared are intended for and/or fulfil the same purpose;

b) the comparison is objectively made between one or several essential, verifiable and representative features of the goods and services compared;

c) in the case of goods covered by a designation of origin or geographical indication, specific designation or traditional speciality guaranteed, the comparison can only be made with other goods having the same name;

d) the product and/or service compared is not presented as an imitation or replica of the product protected with the distinctive mark; and

e) in any event, the comparison is not deceptive, denigratory and/or takes unfair advantage of the reputation of the sign or of the proprietor.

(ii) In addition, use of a third party's trade mark as a parody is allowed provided that it does not generate a likelihood of confusion with or cause any damages to the sign and/or to the proprietor.

This report does not deal with other limitations, such as those provided for in articles 34 and 37 TMA already discussed in Q195 (Singapore 2007) or the limitation protecting the right to free speech discussed in Q188 (Berlin 2005). In particular, article 37 TMA provides that certain uses of another's trade mark will be lawful if they are carried out "*in accordance with honest practices in industrial or commercial matters*", as specified in question 7 below).

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?

Under articles 217, 282 and 405.1 CPA, the alleged parasite or free rider must argue and prove in the statement of defence that the trade mark is being used with "*due cause*".

In particular, pursuant to article 217.4 CPA "*in unfair competition and unlawful advertising proceedings, the defendant shall have the burden of proving the accuracy and truthfulness of the specifications and statements made and of the relevant information given in the advertising material, respectively*".

Under article 282 CPA "*evidence shall be examined upon a party's request*" and, at the same time, exceptionally, "*the court may, on its own initiative, resolve that certain evidence be examined or documents, opinions or other means and items of proof be submitted, where the law so provides*".

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) above and footnote 2)? If so, can such use be "unfair"? Or is this just a matter of shifted burden of proof?

Yes, use with "*due cause*" can be argued in defence of the trade mark user (article 8.1 TMA), and also when use is lawful having regard to the events laid down in article 37 TMA.

In particular, article 37 TMA provides that, if this is done "*in accordance with honest practices in industrial or commercial matters*", the use of: i) "*indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service*"; and ii) "*the trade mark, where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts of the trade mark*" is lawful.

The TMA does not expressly include the case where there is a prior use in good faith for which provision is made in article 54 of Patents Act 11/1986. Because patents differ legally from trade marks, this rule cannot be applied to trade mark disputes.

The Court of Justice has ruled in its Judgment of 6<sup>th</sup> February 2015 (Case C-65/12, RED BULL/ BULL DOG) that "*the proprietor of a trade mark with a reputation cannot be obliged, based on "due cause" within the meaning of article 5.2) of the Harmonisation Directive (2008/95/EC), "to tolerate the use by a third party of a sign similar to that mark in relation to a product which is identical to that for which that mark was registered, if it is demonstrated that that sign was being used before that mark was filed and that the use of that sign in relation to the identical product is in good faith. In order to determine whether*

*that is so, the national court must take account, in particular, of how that sign has been accepted by, and what its reputation is with, the relevant public, the degree of proximity between the goods and services for which that sign was originally used and the product for which the mark with a reputation was registered and the economic and commercial significance of the use for that product of the sign which is similar to that mark”.*

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 general principle under Spanish Law is that parasitic practices or free riding are presumed unlawful or unfair without having to prove the likelihood of confusion between the signs.

In any event, as pointed out in replying to question 6), a trade mark proprietor cannot prevent a third party from using the sign in certain exceptional cases.

Consequently, parasites or free riders generally have no defence for their acts of parasitism or free riding. However, the special limitations established by Law on the trade mark proprietor's rights allow the trade mark to be duly, fairly or lawfully used by a third party depending on the circumstances of each case.

The fact that such a third party cannot be referred to as a parasite or free rider does not mean that the third party is entitled to register or consolidate any property right in and to the sign used.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

The trade mark proprietor can seek protection from free riding by bringing actions in the civil courts, pursuant to article 40 TMA.

In addition, the UCA provides that acts of unfair competition may be called upon in civil actions. Pursuant to the UCA, as implemented by case law (see the judgment of 28<sup>th</sup> October 2014 of the First Chamber of the Supreme Court, inter alia) acts of unfair competition are acts that are objectively in breach of the requirements of good faith and likely to or capable of significantly distorting the economic behaviour of the average consumer, including, but not limited to: acts of deception, confusion, denigration, imitation, confusion and association.

b) court in other proceedings;

yes

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

A trade mark proprietor may seek protection against free riding by taking action in the criminal courts, pursuant to article 40 TMA.

Article 274 of the Criminal Code protects registered trade marks, be they well known or otherwise, provided that there is a serious likelihood of confusion.

c) opposition proceedings;

yes

Please comment:

In the event of the parasite or free rider applying for a trade mark in the Spanish Patent and Trade Mark Office, anyone who feels aggrieved by the application -and owns a registered or unregistered right conferring a *legitimate interest* on the proprietor- may file an opposition (article 19 TMA) based on the relative grounds for refusal provided for in article 6 TMA:

- where the new application is identical with an earlier trade mark designating identical goods or services; or
- if, because of their identity with or similarity to an earlier trade mark and the identity or similarity of the goods or services designated thereby, there exists un likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association with the earlier trade mark.

d) any other?

yes

if so what, proceedings?:

Article 40 TMA allows the proprietor of a registered trade mark to seek to have these claims submitted to arbitration, particularly if submission to arbitration was previously agreed. Arbitration proceedings of this kind are unheard of in Spanish practice.

In addition, the proprietor may apply for customs action. Proceedings of this kind are of an administrative nature, although they may result in criminal proceedings to persecute counterfeiters of registered trade mark goods.

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

On the understanding that parasitism or free riding is taking unfair advantage of the distinctive character of a trade mark, attempting to take advantage of another's reputation, benefiting from the appeal, reputation, standing and business efforts of a trade mark proprietor, protection is basically limited to civil actions. Criminal actions will only be set in motion exceptionally to prevent a clear violation of trade mark rights, either directly or indirectly.



As noted in the last part of the reply to question 3), the UCA is usually called upon in civil proceedings where, in addition to the infringement of trade mark rights, for which priority provision is specifically made in the TMA, there are other conducts that enhance the likelihood of association and/or confusion, and consequently the taking of unfair advantage of the distinctive sign.

In this scenario, there are no different requirements for action to be taken against the offence but rather different statutory covers supplementing each other to safeguard trade mark rights and they are subsidiarily applied in the proceedings, depending on the circumstances of each case.

Lastly, in order to invoke exceptional protection in criminal proceedings, it will be necessary for the subjective and objective requirements restrictively delimiting the offences or misconducts to be met.

## 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?:

Yes, of course.

In any event, this protection is already substantially provided for in Spain, as set out in the replies to questions 3), 9) and 10) of the report.

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

no

Why not?:

Other than dilution in the strict sense and tarnishment referred to above, no other protection would appear to be necessary outside the scope at issue.

Spanish laws, as construed by case law, currently allow action to be taken against free riding and dilution, including dilution by blurring.

See the previous answers.

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

yes

Why?:

The basis for protection defining the legal actions to be taken is registration or not of the distinctive sign, as we already explained in replying to question 4).

Article 34 TMA allows both the proprietor of a registered trade mark and the user of an unregistered well-known trade mark to take action against third parties if they use without permission a sign that takes unfair advantage of the reputation of a trade mark. Article 34.2 TMA requires that the trade mark be registered. In addition, action may be taken against those third parties under the Unfair Competition and/or Advertising Acts, for instance in cases of shop signs, internet domains and similar signs.

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

yes

Why?:

The actions listed in replying to question 9 have in common that they may be brought to prevent parasitic or free riding conducts.

However, a number of requirements have to be met in order to bring those actions, and therefore the choice of one action or another is not arbitrary but based on the circumstances of the matter.

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?

Spanish laws have been harmonised -other than for certain elements such as the definition of well-known trade mark and trade mark with a reputation- in line with articles 4.4.a) and 5.2) of the Harmonisation Directive (2008/95/EC) and its courts observe the standards set in the case law of the Court of Justice of the European Union, as was already noted in the initial reply to question 1).

Any improvement or addition in this connection should be centralised.

### 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?

We refer to the reply to question 11)

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.:

Although the definition of parasitism and free riding established in these Working Guidelines may be substantially subsumed into our laws, we believe that in order for there to be greater harmonisation, it would have to be specified that the same must at all times be linked to *commercial usage*. For the avoidance of doubt, we refer to section 14 of these Working Guidelines and to how Q188 is assessed therein.

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

We refer to the reply to question 12).

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 refer to the replies to questions 5.a and 5.b.

In any event, in order to assess the level of reputation or well-known character that should be required in order for a trade mark to be eligible for protection, whether or not it is registered, the size of the geographical area must be a relative factor, and the requirement must be less stringent the greater the reputation, and vice versa.

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.

Due cause making it legitimate to use a third party's sign should be the only exceptional and restrictive defence in order for free riding or parasitism not to be actionable. In the event of due cause, the action should not be referred to as free riding, and the party responsible for or carrying out that action should not be referred to as a free rider.

Therefore, the defence in the event of any such action must depend on the party responsible arguing and proving that use is legitimate, in order that it is not described as "parasitic".

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

The burden of proof should be borne fully and absolutely by whoever uses the well-known or reputable trade mark whose reputation is -or is likely to be- unfairly taken advantage of by a third party unrelated to the proprietor of that trade mark.

In any event, free riding depends on the statutory delimitation of well-known or reputable trade mark and proving it is heavily casuistic and depends on the circumstances of each case.

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

In the proceedings referred to in replying to question 9). We believe that it would be interesting to put in place measures enhancing their speed and clarity, and a greater use of arbitration for which provision is already made in article 40 TMA, encouraging in particular prior agreements including arbitration clauses making provision for arbitrator/s and arbitration procedure.

#### 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.