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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:

Yes, both the Swedish Trade Marks Act (SFS 2010:1877) and the Swedish Marketing Act (SFS 2008:486) provide protection against free riding and taking unfair advantage of trademarks, as defined in the Working Guidelines.

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

no

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.

The definition of the protection has been developed in case law and differs depending on whether it derives from trademark law or marketing law. The protection is called “taking unfair advantage” (Swedish: *dra otillbörlig fördel av*) when it derives from trademark law and “free riding” (Swedish: *renommésnyltning*) when it derives from marketing 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 the protection is the Swedish Trade Marks Act and the Swedish Marketing Act.

The protection for reputed trademarks that follows from Article 9(1)(c) of the Community Trade Mark Regulation (Council Regulation (EC) No 207/2009) and Article 5(2) of the Trade Marks Directive (2008/95/EC), has been implemented in the Swedish Trade Marks Act under Chapter 1, Article 10, Section 1 p. 3. The protection applies to both registered and unregistered trademarks. According to Article 10 p. 3, protection against taking unfair advantage of the repute or distinctive character without due cause is conferred to trademarks that are known by a significant part of the relevant public.

Furthermore, the Swedish Marketing Act provides protection against free riding in its provisions regarding unfair marketing (Article 5) and comparative advertising (Article 18). According to Article 5, all marketing shall comply with good marketing practices, which includes a prohibition against free riding according to Swedish case law.^[1] This regulation is applicable only if more specific regulations, e.g. Article 18, are not applicable. According to Article 18 p. 7, a trader may only directly or indirectly point out another trader or his products in advertising if the comparison does not take unfair advantage of the reputation associated with the other trader's trademark, business name or other distinctive mark or the designation of origin of the goods.

The Swedish Market Court has previously in several cases stated that there in principal shall not be any interaction between the causes of action and that a marketing law assessment shall be conducted without taking any intellectual property law issues in consideration. However, it is apparent from recent case law that the Swedish Market Court in practice does take e.g. trademark law into consideration when deciding cases under the Marketing Act.^[2]

^[1] MD 2012:15 (*Elskling*).

^[2] MD 2012:15 (*Elskling*).

- 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?

The protection for reputed trademarks under the Swedish Trade Marks Act applies to both registered and unregistered trademarks and is applicable both in relation to use of similar goods/services and/or dissimilar goods/services.

For the protection to apply, the following requisites have to be fulfilled:

1. Reputation within a significant part of the relevant public has to be established (i.e. whether the earlier mark is sufficiently well-known in order to obtain protection under the provision). In the Swedish Trade Marks Act the word “known” is used. This is interpreted in the same way as “reputation” in the Regulation and the Directive. The assessment must take all relevant facts into consideration. To prove reputation evidence concerning duration, geographical extent and intensity of use as well as, for instance, market share, size of investments and turnaround figures could be used.[1][#_ftn1] In Sweden market surveys are commonly used in order to prove actual knowledge of the reputed mark.
2. A likelihood of association must be established (i.e. a link in the mind of the relevant public between the signs at issue and the goods concerned). It is not necessary to establish a likelihood of confusion.
3. Lastly, it must be established that unfair advantage is taken of the trademark. This shall be assessed globally, taking into account all factors relevant to the circumstances of the case. In its case law, the Court of Justice of the European Union (CJEU) has held that advantage arising from third party use is unfair, where the third party seeks by that use to ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark’s image.[2][#_ftn2]

Besides the rules in the Swedish Trade Marks Act, there are also applicable rules in the Swedish Marketing Act.

An action based on unfair advantage may be taken under Article 18 on comparative advertising in the Swedish Marketing Act. This question has been discussed in Q95.

An action against free riding can also be taken under the general provision in the Swedish Marketing Act under Article 5. An action under the general provision is possible when a trader in its marketing, without authorization, links to another trader’s activities, products, signs or other symbols, figures or specific concepts.[3][#_ftn3] Free riding in this sense does not require a likelihood of confusion but a link has to be established. The unfairness in the taking of unfair advantage means that a trader, for financial benefit, exploits the value that lies in a positive perception of consumers which is created through the efforts of another trader. According to the Swedish Market Court, such use typically damages the other trader and impairs the consumer’s market overview.[4][#_ftn4] An impaired market overview should usually imply an impact on the recipient’s ability to make an informed transactional decision (Article 6).

[1][#_ftnref1] C-375/97 (Chevy), p 23-28.

[2][#_ftnref2] C-487/07 (L’Oréal).

[3][#_ftnref3] MD 1999:21 (Robinson).

[4][#_ftnref4] MD 1999:21 (Robinson), MD 2000:25 (Hästens) and MD 2002:20 (Champagne).

5) Further to question 4):

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

The requirement of reputation in the Swedish Trade Marks Act is designed to give the court a flexible scope of interpretation. Therefore, the requirement can vary depending on the circumstances of the individual case. This is consistent with EU case law, from which it is clear that a fixed percentage may not be specified.[1][#_ftn1] In Sweden, one third of the relevant public is

however often considered sufficient – at least as a starting point.

The degree of reputation required when an action is taken based on free riding under the general provision in the Swedish Marketing Act, is assessed on the basis on whether the imposed trader has a large marketshare^[2], extensive marketing^[3], high sales^[4] and high visibility that has resulted in a well-known and well-recognized mark.^[5] Also in this case the requirement can vary depending on the circumstances of the individual case but often one third of the relevant public is considered sufficient.

^[1] C-375/97 (Chevy).

^[2] MD 2002:27 (Viennetta).

^[3] MD 2001:15 (Estline).

^[4] MD 2006:7 (Ahlgrens bilar).

^[5] MD 1999:21 (Robinson).

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

The principle rule in Sweden is that the party making a claim also has the burden of proof for such claim, see more under question 7 below.

c) must the use at issue cause confusion?

no

Please comment:

In order for the protection against taking unfair advantage in the Swedish Trade Marks Act to apply, there must be a likelihood of association between the marks in question. This means that it must be established a link in the mind of the relevant public between the relevant signs and the goods concerned. However, there is no requirement of confusion regarding the commercial origin.

In accordance with case law on the general provision in the Swedish Marketing Act, a clear and direct link has to be established between the marks in question. Such link can be established by the use of the same color, name, flavour, characteristics or properties as another mark.^[1] If it is not possible at a first glance to determine that the marketing has a direct and clear link with another mark, additional factors such as marketing towards the same relevant public, within the same market and for the same type of products/services may be relied upon in the assessment.

^[1] See the Market Court, case MD 2001:15 (Estline) and MD 2002:10 (Hygglo).

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

yes

Please comment:

Yes the protection of known trademarks can be invoked against both similar and dissimilar goods/services.

The general provision in the Swedish Marketing Act Article 5 could apply against both similar and dissimilar goods/services whereas Article 18 concerning comparative advertising is not applicable in case of dissimilar goods/services.

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?:

In the Directive under Article 5(2), the proprietor may prevent third party use, if this use "without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark". In accordance with the wording of the Directive, it is clear that the limitation "without due cause" is applicable not only where there is detriment but also where there is unfair advantage. The wording of the corresponding section of the Swedish Trade Marks Act Chapter 1 Article 10, Section 1 p. 3. differs from the Directive. It reads as follows: "takes unfair advantage of, or without due cause is detrimental to, the distinctive character or the repute of the trade mark". The reason behind the choice of wording in the Swedish Trade Marks Act, differing from the Directive, is that the issue of "due cause" could be dealt with under the criteria "unfair" advantage. If there is a due cause, the use may not be unfair. One may, however, question this somewhat imprecise implementation of the Directive. There is no express "due cause" limitation in the Swedish Marketing Act, which protects against free riding through its general clause regarding good marketing practices and under its rules on comparative advertising. The existence of a "due cause" could, however, be a relevant factor in the rather open assessment conducted by the Swedish Market Court.

Other limitations of a more general nature, such as descriptive use, private use, freedom of speech and parody, could be raised under both the Swedish Trade Marks Act and the Swedish Marketing Act. Even where such limitations are not expressly mentioned in the legislation, they could be relevant for the legal assessment by the court in a particular case.

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 Swedish procedural law the plaintiff would, as a matter of principle, have the burden of proof regarding the free riding (or unfair advantage) of the defendant. The defendant would have the burden of proof regarding the existence of a due cause. In practice, however, depending on the particular circumstances of the case at hand, the burden of proof could be more or less divided between the parties. Such a shared burden of proof would be particularly likely where the plaintiff argues unfair advantage and the defendant reply with a due cause argument and these respective claims, including the underlying circumstances, are more or less intertwined.

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?

In accordance with the Swedish Trade Marks Act, Chapter 2, Article 8 point 3, the existence of a "due cause" on the side of the applicant could lead to the rejection of an objection to registration, made by the owner of an earlier well-known mark. As mentioned above, the due cause criteria is, according to the wording of the Swedish Trade Marks Act, only relevant when it comes to detriment, not to unfair advantage. Since the existence of a due cause would be relevant, in the context of the criteria "unfair", in a case regarding unfair advantage, there should be no difference in practice. If the applicant shows that there is a due cause, meaning that the advantage taken is not unfair, the mark could be registered.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

Yes, the protection can be invoked in civil proceedings. For breaches against the Swedish Trade Marks Act, matters are handled in District Courts and for breaches against the Swedish Marketing Act, matters are handled in the Market Court. However, matters according to the Marketing Act which also includes a request for damages, shall be directed to Stockholm District Court as the first instance and the Market Court as the second instance.

b) court in other proceedings;

no

Please comment:

No, not according to the Marketing Act. Criminal proceedings are only possible for breaches against the Swedish Trade Marks Act, according to which fines and imprisonment are possible sanctions.

c) opposition proceedings;

yes

Please comment:

Yes, but only in relation to the Swedish Trade Marks Act. In the Act under Chapter 2, Article 28, it is clear that an opposition can be filed against a registered trademark also on the basis of taking unfair advantage as stated in Swedish Trade Marks Act under Chapter 1, Article 10 point 3. In order for the Swedish Patent and Registration Office to consider such opposition, the opposition must however be filed on the basis of the plaintiff's own interest, i.e. the plaintiff would have to have a registered or unregistered right of its own which would risk being infringed or harmed by the registration/use as a basis for the opposition.

d) any other?

yes

if so what, proceedings?:

Yes, in revocation proceedings for trademarks.

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

Yes. The Swedish Trade Marks Act stipulates the same requirements or considerations for proceedings such as infringement, revocation and oppositions. They are however different from the requirements stipulated by the Swedish Market Act where a more market oriented assessment is to be made, see question 3 and 4 above - it appears as if the different types of cases are getting more intertwined.

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?:

In the Swedish Group's view, trade mark law and market law regulations should provide for protection against free riding and the taking of unfair advantage of trademarks, as defined in the Working Guidelines. This is in particular so in order to protect the interests of the trade mark holder to preserve a commercial reputation capable of attracting consumers and retaining their loyalty. These principles have been a natural part of Swedish law for a long time.

However, such protection should only be afforded to the extent that it is well balanced and reconciles the interests of trade mark holders, consumers, competitors and the market in general. Protection against free riding and taking unfair advantage of trademarks therefore presupposes the existence of limitations, especially with respect to the freedom of private and commercial speech. In consequence, the requirements that the use must be "unfair" and without "due cause" must be further developed in case law, in order to establish a well-balanced reconciliation of the interests at stake.

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

yes
Why?:

It could be discussed whether there should exist a protection against use that is similar but outside the scope of the definition in the Working Guidelines. The Swedish Group stresses the importance of - if such protection is afforded - not restricting the freedom of commercial speech by providing trade mark holders with a too far-reaching right.

A common example in Sweden is the use of parodies in advertising campaigns for products or services within another line of business than the well-known trademark, advertising campaign or advertising concept. These types of parodies could be considered as free riding outside the scope of the definition in the Working Guidelines, since it would not necessarily take unfair advantage of the other trade mark's reputation by "riding on its coat-tails", cause confusion or be misleading to the users. The users might clearly associate to the well-known trademark etc. However, according to case law from the Market Court, for instance, the association has to be sufficiently strong and closely linked to the well-known trademark in order to be considered as taking unfair advantage of the reputation associated with the trademark. In this case law there are limitations to the protection which balances the interest of the various stake holders.

12)	Is the basis for protection or the cause of action relevant?
	no Why not?:
	In Sweden, the basis for protection and the cause of action has had significant importance in the past. However, the differences have become less important in light of recent case law handed down by the Market Court, see above question 3 and 4.

13)	Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
	yes Why?:
	Yes, it should be possible to invoke the protection in all types of proceedings but in different courts/authorities. At present, the Swedish Department of Justice is working on a proposal to establish a new Patent and Market Court, in which practically all cases concerning intellectual property rights and marketing law in Sweden will be handled.

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 establishment of the new Patent and Market Court will most likely lead to an improvement of the current case law, since all cases concerning free riding and the taking of unfair advantage of trademarks would be handled by the same court. This will hopefully also lead to a more efficient trademark system and an improved quality in the handling of the cases.

III Proposals for harmonisation

15)	Is harmonisation in this area desirable?
	yes Please comment:
	In the view of the Swedish Group, harmonisation is in general and as a starting point desirable, especially since advertising campaigns in which trademarks are used are becoming more and more global, e.g. in digital media.
	However, one must carefully assess the aim and scope of the harmonisation to ensure that the desired result is achieved, while at the same time reconciling the interests at stake.

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:
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a)	the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
	<p>yes</p> <p>If so, please provide any definition you consider to be appropriate.:</p> <p>Harmonisation is in general desirable, considering the global use of trademarks today. However given the specific nature of each relevant market, harmonisation of the definition will naturally only help to a certain extent. When applied in a specific case, the court should have freedom to carry out a flexible assessment and to take into consideration all relevant factors of the individual case. The definition suggested in the Working Guidelines is a good starting point in the Swedish group's view.</p>

b)	use that you consider similar but outside the scope of the definition in these Working Guidelines?
	<p>no</p> <p>Please comment:</p>

18)	What should the basis for protection/cause(s) of action be?
	<p>The basis for protection is of less relevance. It should be left for each country to decide whether protection against taking unfair advantage of trademarks shall be provided for through the relevant trademark act or other legislation, e.g. unfair competition law.</p>

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?
	<p>The level of reputation should not require a solid degree of knowledge or a fixed percentage. Instead, the courts should be given a flexible scope of interpretation in individual cases, i.e. taking into consideration qualitative and quantitative factors in determining the level of reputation. The quantitative limit should depend on how serious the damage or appearant the case of taking unfair advantage is. The limit could be set to 30 % in serious or appearant cases but higher in other cases.</p> <p>The trademark holder of the reputed mark should have the burden of proof regarding the unfair advantage (or free riding) of the defendant. The defendant should have the burden of proof regarding the existence of a due cause or other defences/limitations (see question 20 below). It is, however, reasonable that the court (or administrative authority) takes into account the reasoning of and evidence provided by both parties, in an overall assessment, when deciding whether or not the trademark is reputed and whether the defendant takes unfair advantage (or free rides) of the trademark or not. If the trademark holder presents a clear and logical reasoning, which is backed by evidence, it should be up to the defendant to present the corresponding reasoning/evidence. This means that the burden of proof should rest on the plaintiff, but only as a starting point. In practice, however, depending on the particular circumstances of the case at hand, the burden of proof could be more or less divided between the parties. Such a shared burden of proof would be particularly likely where the plaintiff argues unfair advantage and the defendant reply with a due cause argument and these respective claims, including the underlying circumstances, are more or less intertwined.</p>

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.
	<p>The defenses and limitations which are available under European and Swedish trade mark law, for instance "due cause", should apply in the same way when it comes to protection against free riding under the Swedish Marketing Act. If not, there is a risk that Swedish trademark law and marketing law,</p>

viewed in its entirety, in practice will not be in line with European law. There is a fine line between arguing free riding under the Swedish Trade Marks Act and making the same argument, perhaps in the same factual situation against the same defendant, under the Swedish Marketing Act. During the last years, the Swedish Market Court has also come to acknowledge the need to interpret the Swedish Marketing Act in light of harmonised European trademark law, as developed inter alia by the CJEU, see under question 3) and 4) above. This means that there is little scope for moving outside the (already somewhat fixed) boundaries of trademark law, when it comes to the issue of defenses and limitations.

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

Where the defendant argues a defense or a limitation, for instance due cause, as a matter of principle the burden of proof should be on the defendant (who is making the argument). It is, however, reasonable that the court (or administrative authority) takes into account the reasoning of and evidence provided by both parties, in an overall assessment, when deciding whether or not the defense (or limitation) will hold. If the defendant presents a clear and logical reasoning, which is backed by evidence of some form, it should be up to the plaintiff to present the corresponding reasoning/evidence. This means that the burden of proof should rest on the defendant, but only as a starting point.

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

The protections should be possible to invoke in all relevant proceedings, i.e. in proceedings where protection is afforded, such as infringement, revocation and opposition proceedings (including proceedings based on unfair competition law). The protection should thus be applicable in both court proceedings, for example an infringement proceeding, and administrative proceedings, for example an opposition proceeding.

Summary

In Sweden the Trade Marks Act and the Marketing Act provide protection against free riding and taking unfair advantage of trademarks. The degree of reputation required varies depending on the circumstances in the individual case, but one third of the relevant public is often sufficient as a starting point. According to both laws a link in the mind of the relevant public between the relevant signs and the goods concerned needs to be established. The protection can be used for both similar and dissimilar goods. There are defenses and limitations that can be invoked against the protection. The plaintiff has the burden of proof regarding the free riding (or unfair advantage) and the defendant has the burden of proof regarding the existence of a due cause. The protection can be invoked in all types of proceedings. The Market Law does not provide for criminal action however.

In the Swedish Group's view there should be protection against free riding and the taking of unfair advantage of trademarks, but there should also be limitations, especially with respect to the freedom of private and commercial speech. It could be discussed to extend the protection outside the scope of the definition in the Working Guidelines to parodies in advertising campaigns for products or services within another line of business than the well-known trademark. Such use would not necessarily take unfair advantage of the other trade mark's reputation. It should be possible to invoke the protection in all types of proceedings but in different courts/authorities.

Harmonisation is desirable even though it will only help to a certain extent. The definition suggested in the Working Guidelines is a good starting point in the Swedish group's view. It should be left for each

country to decide whether the protection should be provided for through the relevant trademark act or other legislation. The courts should be given a flexible scope of interpretation, i.e. taking into consideration qualitative and quantitative factors in determining the level of reputation. The limit could be set to 30 % in serious or apparent cases but higher in other cases. The parties should bear the burden of proof for their respective claims; the trademark holder for the unfair advantage and the defendant for the existence of a due cause or other imitation. The limitations should apply in the same way when it comes to protection under both laws and should be possible to invoke in all relevant proceedings.

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.

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