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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

no

Please comment:

No. The statutory and common laws of the United States and individual states regarding trademarks are all based primarily on preventing deception and confusion of the public and unfair competition as to the source or origin of goods and services. When there is a likelihood of confusion, unfair competition, or deception, U.S. law has robust prohibitions and remedies, to protect both registered and unregistered trademarks.

U.S. law has also taken a significant step further, beyond the anti-deception policy, by enacting federal and state anti-dilution statutes, which prohibits dilution of the distinctive quality of famous trademarks even where there is no deception, unfair competition, or confusion.

Those categories of proscribed activities, in all their myriad factual variations, would themselves be regarded, and sometimes described by judges and others, as taking unfair or unlawful advantage of another party's trademark.

But U.S. law does not prohibit using another party's trademark, even in marketing one's own products, as long as there is no deception, dilution, or likelihood of confusion.

Unlike the laws in Europe and certain other countries, U.S. trademark law does not recognize an

additional, separate category of prohibited behavior under the nomenclature of taking unfair advantage of trademarks, or its synonyms (as defined in the Working Guidelines) free-riding and parasitism.

Under centuries-old U.S. trademark law policy, adding a new category of new violations, as defined in the Working Guidelines, would be incomprehensibly broad and would possibly proscribe activities implicating countervailing basic principles such as free competition and freedom of truthful expression which have already been subjected to careful statutory and judicial balancing through Congressional legislation and precedential case law court decisions. This applies to both the anti-deception and anti-dilution trademark laws. For example, U.S. law permits non-deceptive use of another party's trademark in situations such as: sale of the trademark owner's repaired, reconditioned, or modified products; truthful comparative marketing and advertising; nominative fair use for purposes of commentary, comparison, criticism, or point of reference; descriptive fair use; news reporting, political commentary, parody and satire.

A statutory prohibition along the lines of the definition in the Working Guidelines (if it ever made it through Congress) would inescapably create actual or apparent conflicts with existing statutes, precedents and policies, engendering decades of new litigation, and might even be ruled to be unconstitutionally vague and indefinite.

Case example of nominative fair use: *Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008).

- eBay's use of Tiffany's mark in an online advertisement constituted protected nominative fair use when new and used Tiffany products were in fact available for sale on eBay's site.

Case example of descriptive fair use: *Playboy Enters. Inc. v. Welles,* 7 F.Supp.2d 1098 (S.D. Cal. 1998).

- The term "Playmate of the Year 1981" was descriptive, truthful, and fairly used to describe owner of website. Aff'd without opinion, 162 F.3d 1169 (9th Cir. 1998). Later proceedings: *Playboy Enters., Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002) (affirming summary dismissal of infringement claims).

Case example of non-trademark use: *Brookfield Commc'ns, Inc. v. West Coast Enterm't Corp.*, 174 F.3d 1036, 1065-66 (9th Cir. 1999)

- Non-trademark use of "movie buff" in metatags to refer to movie devotee or motion picture enthusiast is permissible, but trademark use of "MovieBuff" is not.

Example of comparative advertising: *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963).

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

no

Please comment:

No.

For the sake of completeness, we mention Section 43(a) of the U.S. Trademark Act and the right of publicity. Section 43(a) is a broad, flexible part of the Trademark Act, extending beyond registered trademarks and reaching unregistered trademarks, "trade dress" packaging and product designs, non-traditional trademarks (such as sounds, smells, and tastes), and false advertising. However, its prohibitions focus on the same kinds of false or deceptive conduct described above.

The right of publicity is a creature of state statutory and common law, and protects individual names, signatures, likenesses and other identifying attributes (which typically are not trademarks) against unauthorized commercial exploitation.

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.

Not applicable.

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?

Not applicable.

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?

Not applicable.

5) Further to question 4):

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

Not applicable.

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

Not applicable.

c) must the use at issue cause confusion?

no

Please comment:

Not applicable.

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

no

Please comment:

Not applicable.

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

Not applicable.

6) Are there any defences against and/or limitations to the protection?

no

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?

In the United States, even though a separate offense for taking unfair advantage does not exist, the plaintiff always has the burden of proving the elements of the offense being alleged. If the defendant alleges affirmative defenses going beyond the elements of the offense, for example, statute of limitations, laches, acquiescence, estoppel, parody, freedom of speech, fair use, etc., the defendant bears the burden of proving them.

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 the United States, even though a separate offense for taking unfair advantage does not exist, an adverse party can register a mark for its goods or services unless its use would create a likelihood of confusion or deception with a prior registered or unregistered trademark or would lessen the capacity of a famous mark to identify and distinguish goods or services regardless of confusion (dilution).

9) Can the protection be invoked in:

a) court in civil proceedings;

no

Please comment:

Not applicable.

b) court in other proceedings;

no

Please comment:

Not applicable.

c) opposition proceedings;

no

Please comment:

Not applicable.

d) any other?

no

Please comment:

Not applicable.

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

Not applicable.

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

no

Why not?:

Not applicable

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

no

Why not?:

No.

Trademark violations are covered adequately by anti-deception, unfair competition, and anti-dilution policies and prohibitions. Extending the prohibitions to taking unfair advantage of trademarks would be open-ended and possibly incomprehensible, and could conflict with countervailing policies such as freedom of expression, commercial speech, fair use, and the public's access to legitimate information and opinion.

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

no

Why not?:

Not applicable

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

no

Why not?:

Not applicable

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?

Not applicable

III Proposals for harmonisation

15) Is harmonisation in this area desirable?

no

Please comment:

Not as the terms are defined in this Working Question.

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 believe this is an area in which opinion and national policy may reasonably differ. Some countries have trademark statutes and other related statutes that enable them to flexibly cover these situations. Other countries do not have such flexibility and may need to define the offense under civil codes.

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

no

Please comment:

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

no

Please comment:

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

Redress of the injury, to the extent that the injury is cognizable.

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?

Not applicable, see response to Q. 16.

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.

Not applicable, see response to Q. 16.

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

Not applicable, see response to Q. 16.

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

Not applicable, see response to Q. 16.

Summary

The purpose of trademark law is to protect the consuming public from deception and the trademark owner from misappropriation of its goodwill (infringement) and impairment of its brand (dilution). This Working Question suggests creating an expansive new prohibition, namely, taking unfair advantage of the reputation or distinctive character of another's trademark (synonymous with "free riding" and "parasitism") which would exist without deception or dilution. This proposed expansion of trademark law is open-ended and could prohibit conduct that is beneficial to the public, such as fair descriptive use, free competition and free commentary. Logically, every unauthorized use of a trademark which was neither an infringement nor a dilution could be an unfair advantage. This rule would be contrary to the laws of many countries and the U.S. Group does not favor creating such a new prohibition.

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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