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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:

Although we do not have a specific anti-dilution Law, the concept has been recognized in jurisprudence. However since we understand that this is not included in your definition of free-riding we will not deal with that further in our answers.

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 does not have a specific name in Uruguay, rather they are variations on the concepts of unfair competition and bad faith.

Neither of these concepts are actually defined in Uruguayan law, but doctrine has considered them to be the following:

Definition and requirements about unfair competition: according to Rippe:

- i) An act of competition.
- ii) That this act is illicit.
- iii) And that it is capable of causing damage to a competitor.

Definition of bad faith: according to Bugallo - "Acts contrary to normal commercial practices"

In addition our Trademark Act, Law 17.011, provides protection against acts of unfair competition - without defining such - and protection against cases of indirect confusion.

The terms of the Paris Convention regarding protection of well-known marks - 6bis - and against acts of unfair competition - 10bis - are also applicable to this area.

Jurisprudence has also recognized that marks are entitled to protection against "free-riding" or "parasitism" or "passing-off", although the exact legal basis for such is not always clear.

- 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 protection is as per our reply to question 2 above. Note, however, that being a civil law country, there is basically no protection for unregistered marks. Uruguay's Consumer Protection Law does not cover any of these areas.

The concepts explained in answer to question 2 above do interact. They provide multiple causes of action and/or can be used as arguments to extend the protection granted by a particular statute e.g. our Trademark Act refers to applications which have been filed in bad faith as being subject to cancellation. The actual concept of bad faith though has been and is being clarified and extended by jurisprudence.

- 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 basic requirement is to have at least a trademark registration - in whatever class. On that basis one can file a trademark infringement action. In Uruguay it is impossible to take proceedings against use of a mark without a registration. In a case of indirect confusion (which is basically how we would consider a case of free-riding, parasitism etc.) it is necessary to show that the new mark is capable of causing confusion. This can be proven by any legal form of evidence, e.g. live witnesses, surveys, affidavit

evidence, documents showing the general fame of the mark.

5) Further to question 4):

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

Reputation is not important in the case of marks which have a large degree of inherent distinctiveness or are invented terms e.g. KODAK. In such cases any use by a third party on any sort of goods or services is clearly an intent to take advantage of the other mark and as such will be considered as an act of bad faith.

In the case of marks which are not so inherently distinctive it is necessary to show that the mark is well-known within Uruguay - although that does not necessarily mean that the mark is in use in Uruguay, as evidence of the general fame of the mark around the world can be taken into account and that Uruguayan consumers will be aware of the existence of the mark.

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

The plaintiff/opponent has the burden of proof, but this is not established in such a clear cut way as in common law jurisdictions i.e. it is not just a balance of probabilities. Instead the case must be proved according to the criteria of "reasonable criticism" ("*sana crítica*"). The burden can change though if it is clear that one party has evidence in its possession which it does not reveal, leading to what is known in Uruguay as a moving burden of proof.

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)?:

The basic criteria is likelihood of confusion, although in the case of a KODAK type mark this criteria would be applied with more flexibility as any use of the mark must necessarily be with prior knowledge of the other mark, whether or not it creates confusion. Protection in this area would be more akin to a dilution style protection.

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?

Prior knowledge of the mark by the new user is a factor to take into account. Our law specifically foresees this in Art 33:

*"On filing a cancellation action (...) the actor does not have to prove the notoriety of his mark if he can show that the applicant or registered owner knew of the mark's existence at the time they filed for it."*

This applies whether or not the mark is famous.

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 main defense would be Art 11 of our Trademark Act which states that a mark is only protected for the class in which it has been registered.

As has been stated, though, this criteria is not absolute and is subject to the other legal provisions mentioned above in the Trademark Act itself and other legislative provisions.

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 party defending proceedings to cancel or oppose an application bears the burden of proof, subject to the comments also made above about the moving of the burden of proof in cases where it is clear that the other party has documents or other evidence which it is not revealing.

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, if successful in defending any proceedings, would be free to both use and register the mark.

9) Can the protection be invoked in:

a) court in civil proceedings;

yes

Please comment:

-

b) court in other proceedings;

yes

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

In criminal proceedings as well.

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.
No, the requirements are essentially the same.

## II Policy considerations and proposals for improvements of the current law

11) Should there be protection against:
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a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
yes
Why?:
-

b) use that is similar but outside the scope of the definition in these Working Guidelines?
yes
Why?:
-
Our legislation provides the trademark owner with protection in case of an unauthorized use of a trademark that entails an unfair advantage to such third party or in certain cases of dilution (well-known marks). We understand that the law should not be modified on this regard.

12) Is the basis for protection or the cause of action relevant?
yes
Why?:
In Uruguay the basis for an action can be the Trademark Law or a claim based on unfair competition. There are different requirements for these actions.

13) Should it be possible to invoke the protection in all types of proceedings mentioned above under 9) above?
yes
Why?:
According to our legislation, it is possible to invoke protection in all types of proceedings described in Question 9. We understand that the law should not be modified on this regard.

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?
	It can be improved by including criteria by which the courts can quantify damages in case of unfair advantage of trademarks, as currently the collection of damages in connection with unfair use of trademarks is very difficult due to the lack of legal guidelines.

### III Proposals for harmonisation

15)	Is harmonisation in this area desirable?
	yes Please comment:
	Attempts for harmonization have been done at the Mercosur (Protocolo de Armonización de Normas de Propiedad Intelectual del MERCOSUR) approved by Law 17.052 of 14/12/1998.

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

18)	What should the basis for protection/cause(s) of action be?
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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 in the trademark should be required. The burden of proof should be born by the plaintiff or trademark owner.

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.

Fair use, freedom of speech, lawful comparative advertisement, the use of terms generally used to describe the nature or attributes of the product or service, generally used expressions.

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

The defendant.

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

In all proceedings listed in question 9.

#### Summary

EN - Although Uruguayan regulation provides protection against taking unfair advantage of trademarks, this protection does not have a specific name in Uruguay, rather they are variations on the concepts of unfair competition and bad faith. Neither of these concepts are actually defined in Uruguayan law, but doctrine has provided definitions and parameters on the same. In addition Uruguayan Trademark Act, Law 17.011, provides protection against acts of unfair competition - without defining such - and protection against cases of indirect confusion. Jurisprudence has also recognized that marks are entitled to protection against "free-riding" or "parasitism" or "passing-off", although the exact legal basis for such is not always clear. On another note, it should be considered that being Uruguay a civil law country, there is basically no protection for unregistered marks, and it should be taken into account that Uruguay's Consumer Protection Law does not cover any of these areas.

FR - Bien que la réglementation uruguayenne offre une protection contre tirant indûment profit de marques, cette protection n'a pas de nom spécifique en Uruguay, plutôt ils sont des variations sur les concepts de concurrence déloyale et de mauvaise foi. Aucun de ces concepts sont effectivement défini dans la législation uruguayenne, mais la doctrine a fourni des définitions et des paramètres sur le même. En plus, la loi uruguayenne sur les marques, la loi 17.011, offre une protection contre les actes de concurrence déloyale - sans définir tels - et la protection contre les cas de confusion indirecte. La jurisprudence a également reconnu que les marques ont le droit à la protection contre «free-riding" ou "parasitisme" ou "passing-off", bien que la base juridique exacte car telle est pas toujours claire. Sur une autre note, il doit être considéré que l'Uruguay est un pays de droit civil, il n'y a pratiquement pas de protection pour les marques non enregistrées, et il doit être pris en compte que la loi de protection des consommateurs de l'Uruguay ne couvre pas l'une de ces questions

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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