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Taking unfair advantage of trademarks: parasitism and free riding (Q 245)

REPORT OF SWISS GROUP^{*}

Questions

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, Swiss law provides for such protection, essentially based on art. 2 and art. 3 para. 1 let. e) of the Swiss Federal Act against Unfair Competition ("Unfair Competition Act") prohibiting, inter alia, imitative comparisons and, as far as famous or at least well-known trademarks are concerned, based on art. 15 of the Swiss Federal Act concerning the Protection of Trademarks and Indications of Origin ("Trademark Act") respectively. There are also some decisions in which courts have provided protection against free riding based on art. 3 para. 1 Trademark Act and art. 3 para. 1 let. d) Unfair Competition Act, although these provisions are directed to protect against confusingly similar signs and trademarks respectively.

However, protection under none of the before mentioned instruments is absolute, as it is generally acknowledged that in a properly functioning competition regime a mere risk of association to leader products has to be tolerated (decision of the Commercial Court of Zurich, consid. F.e.cc, sic! 1999, 581, "Rivella/Apiella II"). When distinguishing between a parasitical and a non-parasitical behavior, the Federal Supreme Court has adopted a restrictive approach (GILLIÉRON, Les marques notoirement connues et les marques de haute renommée en droit Suisse, PI/IP – Propriété intellectuelle – Intellectual property Band/Nr. 3, 2011): The degree of similarity required to admit an associative risk of confusion is lower than to admit a risk of confusion. However, this does not mean that any slight similarity, not strong enough to create a risk of confusion, will be considered as unfair imitative comparison. The imitative comparison is considered unfair when the similarity is seen as a reference to the competitor and creates in the mind of the relevant public a mental link with the products marketed by the competitor (BGE 135 III 446, consid. 7.5, "Maltesers II"). The association is tolerated in two cases: (1) The imitative comparison is justified by the need for information, and (2) the sign in question belongs to the public domain (ALBERINI, L'exploitation de la renommée de la marque d'autrui, Du risque de confusion au risque d'association, 338). This criterion was first introduced to distinguish fair comparative advertisement from unfair parasitical comparative advertisement. However, it was later extended to parasitical behavior in general.

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

Art. 15 Trademark Act provides that the owner of a famous trademark may not only take action against exploitation of reputation, but also against impairment of the reputation or endangerment of distinctiveness (dilution). He may therefore prohibit third parties from using a trademark if such use impairs the reputation or the distinctiveness of his own trademark. Similarly, the Unfair Competition Act provides by its art. 2 and art. 3 para. 1 let. a), let. d) and let. e) protection against the impairment of the reputation and dilution of a sign.

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Furthermore, protection of a sign outside of the scope of the Working Guidelines has also been granted in specific administrative proceedings, e.g.:

- a) when the well-known trademark “Swissair”, after the collapse of the airline, was found to be deceptive if applied for registration by another airline (decision of the Federal Administrative Court B-3036/2011, “Swissair”); or
- b) if a sign causes a likelihood of confusion to a geographical indication which is explicitly protected, for instance, under art. 3 al. 7 of the treaty between Switzerland and Jamaica for the protection of geographical indications of 23 September 2013 (SR 0.232.111.194.58).

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 characterized as a form of protection against dilution, please state this and provide any explanation as to the basis for such characterization.

No clear-cut terminology exists. While art. 15 Trademark Act uses the term “exploitation of reputation” (*“Rufausbeutung”*), art. 3 para. 1 let. e) Unfair Competition Act refers to an imitative comparison (*“Anlehnung”*). In literature also the term “associative risk of confusion” can be found. While some of the essential elements of these concepts have been specified by case-law, generally acknowledged clear definitions are missing, and the exact relation and delimitation of the concepts remains uncertain.

The concepts are not considered as forms 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?

Basis for protection against free riding is granted under trademark law, unfair competition law and civil law:

a) Protection of Famous Trademarks

Trademark law grants protection to famous trademarks (*“berühmte Marken”*) against free riding in art. 15 para. 1 Trademark Act. The owner of a famous trademark may prohibit others from using his trademark for any type of goods or services, if such use would exploit or impair the reputation of the trademark (or if it would jeopardize its distinctiveness). Due to its outstanding recognition and general appreciation (*“Wertschätzung”*), the famous trademark is of very high economic value. In order to fully protect the investment in the trademark art. 15 para. 1 Trademark Act states that it shall, inter alia, be protected against exploitation or impairment of its reputation through third parties.

The rights conferred by art. 16 para. 3 TRIPS, which provides for an extended scope of protection of art. 6^{bis} of the Paris Convention, are according to the Swiss understanding coincident with the protection granted in art. 15 para. 1 Trademark Act. Hence, the provision will not be applied directly.

b) Protection against Associative Risk of Confusion

Case law has extended the protection of trademarks against free riding by protecting them also against the so-called “associative risk of confusion”. This protection, which the courts have developed under both trademark law and the law against unfair competition (see below), is available for both registered trademarks (BGE 122 III 382, “Kamillosan”; 126 III 315, “Rivella”; decision of the Federal Supreme Court 4A_467/2007, consid. 4.2, “IWC”) and unregistered distinctive signs and packaging (decision of the Federal Supreme Court 4P.222/2006, consid. 3.1, “Maltesers I”; BGE 135 III 446, consid. 7.1, “Maltesers II”). Such “associative risk of confusion” may arise if a third party systematically presents or labels its products in a way which communicates unmistakably that it is of the same quality or may serve as a substitute for a senior product and thereby exploits the advertising appeal of the senior trademark, sign or packaging in question (MARBACH, Markenrecht, SIWR III, 298). According to case law (BGE 135 III 446 consid. 7.1, “Maltesers II”), such exploitation of reputation takes place if:

- a sign which is similar to a well-known third party trademark, sign or packaging;

- is used in a way which cannot be otherwise interpreted as a reference to that third party trademark, sign or packaging; and
- which is objectively capable to create or evoke a mental association to said third party trademark, sign or packaging, or the product in question.

Such protection does neither require that the signs in question are confusingly similar nor that the consumers assume any legal or economical connection between the producers. Thereby, the distinguishing function of a trademark, sign or packaging is not only protected against dilution in respect of the origin of a product, but also in regards to its quality inasmuch as it gives the consumer an impression of quality on which she/he may rely.

c) Protection against Imitative Comparison

Unfair competition law grants protection against free riding essentially in arts. 2 and 3 para. 1 let. e) Unfair Competition Act.

Art. 2 Unfair Competition Act is the catch-all clause of the Unfair Competition Act. It provides that any behavior or business practice which deceives or violates in any other way the principle of good faith and which influences the relationship between competitors and customers is regarded as unfairly competitive and unlawful. The provision is in particular relevant in cases where free riding cannot be qualified as comparative imitating advertising in the meaning of art. 3 para. 1 let. e) Unfair Competition Act (see below). It may be applicable, if the good reputation of a product of a competitor is exploited unfairly. Art. 2 Unfair Competition Act does, however, not intend to protect a specific achievement, but rather the acquired possession from a competition point of view, i.e. the good reputation as a result of a good reception from the opposite side of the market and shall, thus, also protect the opposite side of the market.

Art. 3 para. 1 let. e) Unfair Competition Act prohibits the unnecessarily imitating comparison of products in the context of advertisements without completely banning comparative advertising. According to this provision, anyone who compares in an incorrect, misleading, unnecessary injurious or imitative manner his person, his goods, his works, his services or his prices with others, or with their goods, their works, their services or prices, or who, by such comparison, favors third parties in competition, shall be deemed to have committed an act of unfair competition.

d) Protection of Rights in Names

The Swiss Civil Code ("Civil Code") also provides for an action against free riding in its art. 29, which protects the names of persons. However, such protection does not, as far as free riding is concerned, go beyond the scope of protection granted by the Unfair Competition Act and hence does not have an own scope of application.

e) Interaction between different courses of action

According to the current case law and the prevailing doctrine, actions against free riding under the Trademark Act and the Unfair Competition Act shall be applied independently from each other. However, they are not to be interpreted in isolation from the fundamental decisions of the legislator, i.e. according to art. 15 para. 1 Trademark Act, only a famous trademark's reputation shall be protected outside of the area of the scope of similarity of goods and services. Therefore, absent any additional specific unfairly competitive elements, art. 2 and 3 para. 1 let. e) Unfair Competition Act shall not, as a rule, extend the protection of the reputation to common trademarks.

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 behavior of consumers, actual advantage, potential future advantage? How are they proven?

Under unfair competition law the fact of exploitation of reputation or dishonest link or association presupposes first that there is a good reputation of a competitor or of one of his products that could be exploited. According to art. 2 and art. 3 para. 1 let. e) Unfair Competition Act, any behavior with which

a competitor unnecessarily follows the performances of a third party so closely or exploits his reputation regardless of the risk of a possible confusion is regarded as dishonest. The exploitation of reputation may consist in particular of the fact that others' goods or services are deployed in one's own advertising in such a way that the image is transferred to one's own offers (so-called image transfer), and thereby creating in the addressees a mental association with the other trademark or products so marketed. Therefore, a party acts dishonestly, if it transfers with its promotions finally the good reputation of goods known under another trademark to its own goods by generating mental associations with these without the requirement of the risk of confusion. However, an image transfer is not necessarily required; on the contrary it is sufficient that the third party benefits from the other trademark by means of some increased attention. It is further required that the exploitation of reputation or dishonest association is unnecessary, meaning it is not covered by a need for information.

Application of art. 15 Trademark Act requires that the trademark is famous, which implies that it also has a reputation. The fame of mark has to be assessed in each individual case (see answer 5 a) hereinafter). In addition to the fame of the trademark, it is necessary that the variation of the fact of the exploitation of reputation is accomplished, namely that the reputation is exploited by a third party. As it is the case in unfair competition law, the fact of exploitation of reputation requires that a so-called image transfer takes place. However, it is controversial as to whether it is sufficient for the third party to achieve the effect of attracting attention by means of the other famous trademark. It is not a prerequisite for the reputation to be used intentionally.

In line with prevailing doctrine it follows from the nature of art. 15 Trademark Act that within the scope of the extended protection of famous trademarks action can only be taken against trademark use ("*kennzeichenmässiger Gebrauch*") in case of a sufficiently similar third-party sign. In other words: the protected sign must be used in such a way that a third person might construe it as reference to a manufacturer or company, and thus the individualizing effect of the original trademark might be impaired by the created association.

Under unfair competition law, registration of the trademark in Switzerland is not a prerequisite for protection against exploitation of reputation. With respect to Art. 15 Trademark Act the predominant doctrine is of the opinion that registration of the trademark is not a requirement for protection against exploitation of reputation.

5. Further to question 4):

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

Under unfair competition law it is crucial for the protection against exploitation of reputation that the trademark has a good reputation which might be exploited by being transferred to other goods and/or services (image transfer) or leading to increased attention. Fame of the trademark – which is a prerequisite for "famous trademarks" – is not necessary in this case.

The required degree of brand awareness is not determined by schematically set percentage points, but rather by considering all circumstances, such as the type of traded goods, their quality and appearance, market shares, duration, intensity of use, etc., need to be considered (decision of the Federal Supreme Court 4C.31/2004, consid. 3.4, "Riesen").

With respect to the famous trademark the application of art. 15 Trademark Act requires the fame of the mark. A legal definition of this term has not been provided. It therefore needs to be determined in each individual case by means of three criteria, if a trademark is famous in the sense of art. 15 Trademark Act. They include outstanding recognition, uniqueness as well as the general appreciation of the trademark.

The basic prerequisite of outstanding recognition requires that the trademark enjoys prominence among the general public; because as long as there is only a limited product-specific range of customers that knows the trademark and appreciates it there is no legitimate demand for any extended protection against free riding. However, it is not necessary that the trademark is absolutely unique; a mere "relatively unique selling point" is sufficient. The general appreciation in the sense of a positive image is based on the one hand on a high level of awareness and on the other hand also on high quality concepts.

b) *Who bears the burden of proof regarding the requirements?*

According to the general principle defined in art. 8 Civil Code, every party has to present and prove the circumstances on which its claim is based. The principle also applies with respect to the exploitation of reputation. The party affected by the reference must substantiate the exploitation of reputation and, if needed, also provide proof. Adoption of an identical sign is usually considered as an indication that the adoption is made for the purpose of exploiting the reputation.

Proof of fame can also be provided without demographic expertise. Quite rightly it is held in doctrine that fame is often regarded by courts as notorious. In fact, the courts have regularly acknowledged the existence of a famous trademark as notorious.

c) *Must the use at issue cause confusion? If so, what degree of confusion is required, e.g. actual confusion, a likelihood of confusion and/or initial interest confusion?*

According to both unfair competition law and trademark law, existence of a risk of confusion is possible, but not a requirement.

6. Are there any defences against and/or limitations to the protection? If so, what are they, and what are the elements of such defences/limitations?

As indicated in question 1 a) above, the association is tolerated, if (1) the imitative comparison is justified by the need for information, or (2) the sign in question belongs to the public domain. In the first situation (1), the question is whether or not the imitative comparison with a competitor's name, good, service, work or price is necessary in order to inform consumers. For example, the Federal Supreme Court held that when it is not possible to specify one's good without comparing it with a competitor's product, the comparison with the competitor's product is necessary and thus not parasitical (decision of the Federal Supreme Court 4C.332/2006, consid. 3.1, "Rama"). In another case, the court stated that when spare parts are advertised, it is necessary to indicate in the advertisement which product the part is compatible with (BGE 116 II 471, consid. 3.a.bb, "Kotflügel"). According to the court it is not a parasitical behavior to apply a presentation of the product on the package in the same manner as a competitor does because the purpose of this use is to give proper information about the product to the consumers. The court therefore states that "*considering the proximity of the products for which the concerned packages are intended and the identical advertising message of the lightness of the products, it seems comprehensible that they [the advertisements] are similar*" (BGE 135 III 446, consid. 7.5, "Maltesers II").

Furthermore, expressions describing the nature or properties of the product often belong to the public domain and in such circumstances their use has to be tolerated (decision of the Federal Supreme Court 4A_168/2010, consid. 5.1, "Pneus-online") (situation [2]). In some cases concerning product packaging, the court refused to admit a risk of confusion or parasitism for elements belonging to public domain (SCHLOSSER, Remarque à propos de l'arrêt "Pneus-Online", sic! 2010, 797). For example, the use of the same red color for a product packaging may respond to a market need (red captures the attention of the consumer) and therefore is not a parasitical behavior (BGE 135 III 446, consid. 7.5, "Maltesers II").

Defendants often invoke that they did not intend to act in bad faith. However, as long as a behavior objectively violates the principles of good faith and fair dealing, it violates unfair competition rules. Neither bad faith nor intention are required to behave unfairly (BGE 116 II 365 consid. 3b, 369, "Nivea"; decision of the Federal Supreme Court 4C.347/1998, consid. 3b; decision of the Federal Supreme Court 4A_128/2012, consid. 3, "Vogue").

In Switzerland there is no parody exception neither under trademark nor under unfair competition law. When a sign has been parodied, freedom of expression and the rights of the sign owner have to be balanced (GILLIÉRON, Les marques notoirement connues et les marques de haute renommée en droit Suisse, PI/IP – Propriété intellectuelle – Intellectual property Band/Nr. 3, 2011). However, when the right of the sign's proprietor outweighs freedom of expression, if there is a risk of confusion, the parody violates art. 3 para. 1 let. d) Unfair Competition Act, and if there is no risk of confusion, it violates art. 3 para. 1 let. a) Unfair Competition Act (BGE 59 II 15, 16, "Vim"; decision of the Commercial Court of Bern, RSPI 1991, 234, "kopulierende Krokodile"; decision of the Appeal Court of Ticino, sic! 1997,

583–584, “Beck/Beck’s Stage”; KILLIAS, La mise en œuvre de la protection des signes distinctifs, CEDIDAC – Centre du droit de l’entreprise de l’Université de Lausanne Band/Nr. 50). Swiss case law about parody in the field of unfair competition was often dealing with confusion and dilution, but less frequently with parasitism. Nevertheless, in one case a cantonal court held that the use of the name Harry Popper for condoms was parasitism (decision of the District Court of Schwyz, 17 August 2010, ZK 2008 19, consid. 7c.bb, “Harry Popper”; ABEGG, Der Gebrauch fremder Marken im Geschäftsverkehr – Eine marken- und lauterkeitsrechtliche Untersuchung nach schweizerischem und europäischem Recht, SMI Schriften zum Medien- und Immaterialgüterrecht Band/Nr. 99).

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

As indicated in question 5. b) above, the burden of proof is on the party that derives rights from a certain fact – unless the law provides otherwise (art. 8 Civil Code). Thus, the rights holder who accuses the free rider of infringing his rights has to prove the facts that establish an impermissible behavior. Furthermore, the free rider does not need to have a “due cause” to use a descriptive term, because the use of such a term cannot be “unfair” (decision of the Supreme Court of the Canton of Zurich, HG110066, 10 April 2013, consid. 1.1.10.3, “Comparis”). Yet again the burden of proof is on the rights holder: He has to prove that the free rider’s behavior taken as a whole is “unfair”.

An exception of the above-mentioned burden of proof applies, if an advertisement is concerned. The Unfair Competition Act provides that the judge may reallocate the burden of proof and require the advertiser to prove truthfulness and accuracy of its advertisement and of the statements contained therein (art. 13a Unfair Competition Act). Thus, this provision leads to an obligation of disclosure and justification of the advertiser (who might be a free rider).

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?

As shown above, the free rider does not violate unfair competition rules if the comparison created with the competitor’s sign is necessary. Thus, the only imitative comparison allowed is the one remaining within the boundaries of the “necessary imitative comparison”, i.e. is either justified by the need for information, is merely descriptive, or otherwise belongs to the public domain. The free rider has no right to go beyond this limit.

Trademark law and unfair competition law pursue two different goals; none of them must be given priority over the other and they are independent. The Federal Supreme Court has confirmed this rule in many cases (BGE 129 III 363, consid. c.3.3; 135 III 446, consid. 4.1, “Maltesers II”). Thus, both laws have to be applied independently. For example, in case where it was held that neither art. 2 nor art. 3 para. 1 let. e) Unfair Competition Act was violated, trademark rules could still be applied. If either the free rider (“a third party”) or the sign owner wants to register the sign, he has to respect the trademarks rules. For example, signs belonging to the public domain are not registerable.

9. Can the protection be invoked in:

- a) court in civil proceedings;
- b) court in other proceedings, and if so what other proceedings (e.g. criminal proceedings);
- c) opposition proceedings;
- d) any other, and if so what, proceedings?

Protection can be invoked in civil and criminal court proceedings, according to art. 3 para. 1 let. b), d), e), art. 9 and 23 Unfair Competition Act and art. 15, 52 et seqq., and 61 et seq. Trademark Act; in particular

- against any commercial use of a sign;
- against a trademark registration; or
- against a court action based on a trademark or commercial sign;

which are considered as an act of unfair free riding or parasitism.

Contrariwise, no protection against unfair free riding can be invoked in administrative proceedings and administrative court proceedings, such as:

- registration proceedings;
- opposition proceedings;
- nullity proceedings (a future remedy, according to a pending trademark law revision); and
- (except for famous trade marks) detention proceedings with the customs authority.

Administrative proceedings with regard to commercial signs or registrations are suspended when a civil or criminal court action against free riding or parasitism of the same signs is taken. In particular, as a rule, opposition procedures are suspended until the decision of the civil or criminal court is rendered.

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

Civil and criminal law actions must fulfil the same conditions under unfair competition law. Only who is threatened or hurt in his economic interests, e.g. by loss of custom, credit or reputation, is entitled to invoke protection both at civil and criminal courts (art. 9 para. 1; art. 23 para. 2 Unfair Competition Act).

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; Why/why not? and/or*

There should be protection against taking unfair advantage of trademarks as defined in these Working Guidelines. Laws prohibiting free riding should be implemented in order to protect the investment of trademark owners, to preserve clarity of trademark messages and to restrain or control third parties from using a trademark. The prevention of unjust enrichment of unauthorized users could also be mentioned as further reason.

It is the decision of the trademark owner what kind of trademark appearance he creates. If third parties interfere in this decision-making authority of the trademark owner and thus in a trademark's appearance and reputation, he must be able to defend himself. Since famous trademarks are particularly

susceptible to misuse by third parties, the Trademark Act explicitly prohibits third parties from taking unfair advantage of famous trademarks.

However, any such protection must also consider legitimate interests of third parties and the public. Therefore, the involved interests and the sources of reputation, such as, for example, personal publicity, high quality, inventive achievement, presentation or investments in advertising, need always to be considered when defining the appropriate sanction to free riding in a respective situation.

*b) use that is similar but outside the scope of the definition in these Working Guidelines?
Why/why not?*

If we consider impairment of the reputation or the distinctiveness of a trademark as use that is similar, but outside the scope of the definition in these Working Guidelines (see answer 1. b, protection is justified for the same reasons as outlined in answer 11. a).

12. Is the basis for protection or the cause of action relevant? Why/why not?

In Switzerland, free riding was initially an issue of unfair competition. In the meantime, trademark law grants famous trademarks a broader and more effective protection. Basis for protection is insofar relevant, as the legal remedies and the right to sue depend thereon.

Basically, the owner of a trademark can request the court to issue prohibitory injunctions. If liability has been established, the owner is further entitled to claim for damages or surrender of profit (art. 55 Trademark Act, art. 9 Unfair Competition Act). According to the Unfair Competition Act, such actions might also be brought by competitors or customers whose economic interests are threatened or infringed, specific professional and trade associations, organizations of national or regional significance, or, in certain circumstances, even the Swiss Confederation (arts. 9 and 10 Unfair Competition Act). In legal writing, it is disputed to what extent such third parties might request surrender of profit (see RÜETSCHI/ROTH, Basler Kommentar zum UWG, UWG 9 N 119 f.).

According to the Trademark Act, the owner of the trademark can further request the court to order cancellation or – if additional requirements are met – assignment of an infringing trademark (art. 53 and 55 Trademark Act). It is questionable whether such claims might be based on the Unfair Competition Act as well (see FRAEFEL/MEIER, LPM 2 N 156; NOTH, MSchG, MSchG 2 let. d N 29). There is, however, case law ordering cancellation of a trademark infringing a right to a name (decision of the Federal Supreme Court, sic! 1997, 493, “Anne Frank”) or ordering assignment of a domain name as a means of removing infringement (decision of the Federal Supreme Court, sic! 2012, 109, 112, “Go Fast II”).

Assistance from customs authorities (custom seizure) is available under the Trademark Act, but not under the Unfair Competition Act. Only based on the Trademark Act (art. 55), the defendant can be required to disclose information about the infringing products (origin and quantity of the products in its possession, addresses and extent of any transfer to commercial recipients).

Finally, the Trademark Act and the Unfair Competition Act contain penal law provisions. As to unfair competition, however, they refer to acts of unfair competition within the meaning of art. 3 Unfair Competition Act and do not cover infringements of the general clause only.

13. Should it be possible to invoke the protection in all types of proceedings mentioned under 9. above? Why/why not?

In Switzerland, all questions raised in administrative proceedings can be answered in court proceedings as well. Administrative proceedings tend to be quicker and cheaper than civil or criminal court proceedings. Furthermore, administrative authorities of first instance are not entitled to hear witnesses. An action against free riding or parasitism, however, often needs a deeper clarification of facts. Hence, in our view, administrative proceedings should not be burdened with additional arguments or supplementary ways of protection. The possibility to take court actions, wherever needed, will suffice.

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?

As the protection against taking of unfair advantage of trademarks is governed by three different statutes, it is difficult to achieve a consistent jurisprudence in Switzerland. This is shown for instance by the terminology used in the existing court decisions (the courts use the term “[*unlautere*] *Anlehnung*” as well as the term “*Rufausbeutung*” which are used as synonyms although they have a slightly different meaning in the common language, see BGE 135 III 446, consid. 7.1, “Maltesers II”). A first step of improvement might perhaps be an agreement on a common terminology.

Furthermore, the individual requirements are not distinguished by the courts exactly. For example, in BGE 135 III 446, consid. 7.1. and 7.5, “Maltesers II”, the Federal Supreme Court considers that free riding is not covered by an information requirement. In other court decisions, this requirement is not even mentioned (for example decision of the Federal Supreme Court 4A_103/2008, “Botox”). It would be desirable if the courts were more precise in future.

Another point that should be improved is the fact that the courts focus, inter alia, on the price of the goods in question when determining whether a free rider takes advantage of the reputation of the trademark or not (decision of the Commercial Court of Aargau, sic! 2006, 187 et seqq., consid. 5.6.2, “Laufрад”). This does not seem plausible as trademarks which are used for everyday consumer goods can also be especially well known to the public (e.g. Nivea, Nestlé, Tempo) and deserve being entitled to protection against free riding.

Finally, the likelihood of confusion and the taking of unfair advantage of trademarks are often mixed (see for this the definition used by the Federal Supreme Court in BGE 135 III 446, consid. 6.1, „Maltesers II”: „*bei denen das Publikum durch die Schaffung von Verwechslungsgefahr irregeführt wird, insbesondere, um den Ruf der Wettbewerber auszubeuten*”). Up to now, the taking of unfair advantage has led a shadowy existence in comparison to the likelihood of confusion. There is even an attempt being made to legally analyze some matters only in relation with the likelihood of confusion and not with the taking of unfair advantage (see BGE 82 II 346, consid. 2d, “Schwarzenburger”; BGE 114 II 106, consid. 3b, “CebBit”; BGE 116 II 463, consid. 2, 4, “Coca Cola”). A clear distinction should be drawn due to substantial differences between the likelihood of confusion and the taking of unfair advantage of trademarks.

III. Proposals for harmonization

15. Is harmonization in this area desirable? If yes, please respond to the following questions without regard to your national or regional laws.

There is a general consensus of the Swiss group that an international harmonization is desired, provided that such harmonization would neither complicate the protection of trademarks against free riding in Switzerland nor unduly broaden this protection compared to the current situation. Infringing activities in the area of intellectual property are still growing and pose a serious threat to all national economies and governments. It is a visible and commonly known phenomenon on an international scale that existing national legal disparities may influence the choice of where such infringing activities are carried out. In particular, it should be ensured that at least famous trademarks are protected against free riding in every jurisdiction.

However although legal rules may be harmonized, perception and use of a sign will always be dependent on cultural background in question, and harmonization should therefore leave room for such considerations.

17. Should there be harmonization of the definition of:

- a) the taking of unfair advantage of trademarks as defined in these Working Guidelines; and/or
- b) use that you consider similar but outside the scope of the definition in these Working Guidelines?

If so, please provide any definition you consider to be appropriate

Although harmonization is welcome, the creation of a new type of mark is not regarded as desirable. Protection must always be linked to the reputation of the sign in any single case. As the scope of protection will mainly depend on what is deemed to be an “unfair manner”, any definition must contain specific indications which allow distinguishing between fair and unfair use.

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

The basis for protection/cause(s) of action shall be both trademark law and unfair competition law for the following reasons:

First, due to the different purposes of trademark law and unfair competition law, the requirements for actions under these acts differ (see Question 4). Secondly, the actions provide for different remedies (see Question 12). Thirdly, the scope of application of the Unfair Competition Act is broader, it does not only cover parasitism of trademarks, but unfair competitive conduct in general and, in particular it protects also famous designs against free riding. Finally, trademarks are better protected under the Trademark Act (e.g. assistance from the customs authorities according to art. 70 et seqq. Trademark Act).

19. What should the requirements for protection be? In your answer, please address at least the following, in addition to any other relevant factors:

a) *what level of reputation, if any, in the trademark should be required; and*

b) *who should bear the burden of proof?*

- a) A certain reputation should be sufficient to defend a trademark against exploitation of reputation. The level of reputation could be considered as reached, if the adoption of a trademark leads to the result that the third party benefits from increased attention.
- b) The Swiss group is of the opinion that the allocation of the burden of proof as applied in Switzerland is reasonable. The party who asserts any claims must substantiate the exploitation of reputation. In any event no too excessive demands should be made with regard to proof, since it is often quite difficult to provide proof of exploitation of reputation.

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.

Some may argue that any exploitation of a competitor's investment should be prohibited. However, the need for information and the public domain limitations, as well as any other necessary use of a specific sign are – from an objective view – essential for the functioning of the market. Therefore, protection should not be absolute, and reasonable limitations ensuring that legitimate information requirements can be satisfied and the public domain remains free, as can be found in the Swiss legal system, appear justified. The criterion that the imitative comparison with a competitor's name, good, service, work or price is authorized if the use made is a necessary and reasonable one. As a matter of fact, many limitations fall under this criterion and could be analyzed in the light of it. The need for information and the public domain limitations are examples, but it is conceivable that other limitations might be applied by the Swiss courts because they consider a specific use of a sign as a necessary one.

The Swiss Group is of the opinion that the inclusion of an express parody exception is not needed. We can imagine situations where a sign is parodied, but it is not held to be parasitism because the association resulting from the parody is necessary. In situations where this criterion would not apply, there is still the system of balancing between freedom of expression and the rights of the sign owner, which is a satisfactory system.

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

As seen in questions 5 b) and 7 above, the rights holder bears the burden of proof in respect of any defences and/or limitations according to art. 8 Civil Code. The Swiss Group is of the opinion that the

mechanism of the conventional allocation of burden of proof does not lead to unnecessary hardship cases.

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

The protection seems sufficient when it can be invoked in civil and criminal court proceedings.

Summary

Swiss law provides protection against the taking of unfair advantage of trademarks essentially based on art. 2 and art. 3 para. 1 let. e) of the Swiss Federal Act against Unfair Competition by prohibiting imitative comparisons ("Anlehnung") and, as far as famous or at least well-known trademarks are concerned, based on art. 15 of the Swiss Federal Act concerning the Protection of Trademarks and Indications of Origin by protecting them against exploitation of their reputation ("Rufausbeutung"). Protection can be invoked in civil and criminal, but not in administrative proceedings.

Protection is, however, not absolute. As it is generally acknowledged that in a properly functioning competition regime a mere risk of association to leader products has to be tolerated, Swiss law provides for certain limitations of protection. In particular, associations are tolerated, if (1) the imitative comparison is justified by the need for information, or (2) the sign in question belongs to the public domain.

The Swiss Group is of the opinion that an international harmonization of protection against free riding is desired, provided that such harmonization does neither complicate nor unduly broaden such protection compared to the current situation in Switzerland. At least famous trademarks should be protected against free riding in every jurisdiction. Protection should always be linked to the reputation of a sign. However, the creation of specific new types of mark that would benefit from such protection is, in the view of the Swiss Group, not desirable. Protection should not be absolute, but provide for reasonable limitation requirements ensuring that legitimate information requirements can be satisfied and the public domain remains free. It would be sufficient if such protection can be invoked in civil and criminal court proceedings.

Zusammenfassung

Das Schweizer Recht schützt Marken gegen Ausbeutung im Wesentlichen im Rahmen des Verbots unlauterer Anlehnungen gemäss Art. 2 und 3 lit. e des Bundesgesetzes gegen den unlauteren Wettbewerb und, soweit berühmte Marken betroffen sind, gemäss Art. 15 des Bundesgesetzes über den Schutz von Marken und Herkunftsangaben, der berühmte Marken unter anderem gegen Rufausbeutung schützt. Der Schutz ist zivil- und strafrechtlich sanktioniert. In verwaltungsrechtlichen Verfahren kann er jedoch nicht angerufen werden.

Es wird indes kein absoluter Schutz gewährt. Da allgemein anerkannt wird, dass in einer funktionierenden Wirtschaft die blosser Bezugnahme auf andere Produkte in einem gewissen Rahmen toleriert werden muss, kennt das Schweizer Recht gewisse Schutzschranken. Insbesondere ist die Bezugnahme zulässig, wenn (1) die Anlehnung durch ein Informationsbedürfnis gerechtfertigt erscheint oder (2) das Zeichen dem Gemeingut angehört.

Die Schweizer Gruppe der AIPPI ist der Ansicht, dass eine internationale Harmonisierung des Schutzes gegen die Ausbeutung von Marken wünschenswert ist, vorausgesetzt dass eine solche Harmonisierung den Schutz im Vergleich zur gegenwärtigen Situation weder verkompliziert noch übermässig ausdehnt. Zumindest berühmte Marken sollten in jedem Land gegen Ausbeutung geschützt werden. Der Schutz sollte stets von der Reputation des Zeichens abhängig sein. Von der Einführung neuer Markentypen zu diesem Zweck soll aus Sicht der Schweizer Gruppe aber abgesehen werden. Der Schutz sollte angemessenen Schranken unterliegen, welche gewährleisten, dass legitime Informationsbedürfnisse befriedigt werden können und das Gemeingut allen zugänglich bleibt. Es erscheint genügend, dass der Schutz im Rahmen von Zivil- und Strafverfahren angerufen werden kann.

Résumé

Le droit suisse protège contre le fait de tirer indument profit d'une marque, essentiellement sur la base des art. 2 et 3 al. 1 let. e de la Loi fédérale suisse contre la concurrence déloyale, en interdisant les comparaisons imitatives et, en ce qui concerne des marques de haute renommée ou à tout le moins connues, sur la base de l'art. 15 de la Loi fédérale suisse sur la protection des marques et des indications de provenance, en les protégeant contre l'exploitation de leur réputation. La protection peut être requise dans le cadre de procédures civiles et pénales, mais non administratives.

La protection n'est, cependant, pas absolue. Etant donné qu'il est généralement admis que, dans un régime de concurrence fonctionnant correctement, un simple risque d'association avec des produits phares doit être toléré, le droit suisse prévoit certaines restrictions à la protection. En particulier, des associations sont tolérées, si (1) la comparaison imitative est justifiée par le besoin d'information, ou (2) le signe en question appartient au domaine public.

Le Groupe suisse considère qu'une harmonisation internationale de la protection contre le parasitisme (free-riding) est souhaitable, à condition qu'une telle harmonisation ne complique, ni n'élargisse excessivement cette protection par rapport à la situation actuelle en Suisse. Au moins les marques de haute renommée devraient être protégées contre le parasitisme (free-riding) dans chaque juridiction. La protection devrait toujours être liée à la notoriété d'un signe. Cependant, la création de nouveaux types de marques spécifiques qui bénéficieraient d'une telle protection n'est, de l'avis du Groupe Suisse, pas souhaitable. La protection ne devrait pas être absolue, mais prévoir des critères de limitation raisonnables, permettant d'assurer que des exigences d'information légitimes puissent être satisfaites et que le domaine public reste libre. Il serait suffisant qu'une telle protection puisse être requise dans des procédures judiciaires civiles et pénales.