



**TRADEMARK LAW AS A TOOL OF PROTECTION AGAINST UNFAIR
COMPETITION: LESSONS FOR UKRAINE**

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Abstract

This paper addresses the issue of application of trademark law mechanisms of protection as a tool to combat unfair competition. Upon analyzing the correlation between unfair competition and trademark law, the thesis focuses on trademark protection mechanisms implemented in the US and EU. The thesis finds that in both legal systems trademark law protection remedies are considered to be a strong tool against unfair competition and, therefore, trademark infringement claims are invoked as a main defense strategy while unfair competition remedies play a supplementary role. Particular consideration is given to problematic issues of trademark protection in Ukraine, where due to certain deficiencies on the stage of trademark rights' enforcement, companies tend to resort to remedies available under unfair competition law.

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Introduction

Trademarks constitute a vital part of the business environment. First and foremost, the central function of trademarks is that they allow companies to distinguish their products from those of the competitors and thus, serve as a guide for consumers. However, with time the role of trademarks became even more important as trademarks evolved from the mere source indicator into a sophisticated and valuable business tool in the hands of companies. Nowadays behind every trademark there is a goodwill and reputation of a company. This evolution of trademarks' role caused the shift in the understanding of the mechanisms of trademark protection as today by protecting a trademark a company also assures integrity of its goodwill. In other words, the concept of trademark protection is expanded and encompasses not only the protection of the exclusive proprietary intellectual property rights, but the defense against the actions of unfair competitors as well.

From the legal perspective this issue creates the problem of determining the scope of legal remedies and mechanisms of protection provided by trademark and unfair competition law respectively and the way how these remedies and mechanisms available within the limits of each field of law could be implemented in practice.

The purpose of this paper is to demonstrate the correlation between unfair competition and trademark law and to analyze currently available trademark law mechanisms which can be used as a tool of protection against unfair competition. This paper will examine the schemes of trademark protection in the US and EU and will show how this is implemented in Ukraine and what relevant insights on the basis of the previously covered material could be introduced in Ukraine.

The topic of the thesis is of particular importance with regard to the issue of trademark and unfair competition protection in Ukraine. As it will be further analyzed in the paper, in Ukraine

inconsistencies of the current system of trademark protection are cured by the remedies available under unfair competition law. Furthermore, since Ukraine has signed the EU-Ukraine Association Agreement, it undertook to bring its national legislation in compliance with the European standards of trademark protection. This is a necessary measure in anticipation of the opening of access for Ukrainian goods to the EU market. Therefore, the analysis of the effectiveness of the system of trademark protection and amendments which could be implemented are of particular importance for the country.

The following research questions should be addressed in this paper. First, it is important to ask whether there is a correlation between unfair competition and trademark law. Presuming the existence of such correlation, the second question raises the issue of how trademark law mechanisms of protection could be used to combat unfair competition. In particular, in order to address this question several issues are raised, namely, what are the prerequisites of such trademark protection, what legal remedies are available and what is the interaction between the trademark and unfair competition remedies of protection.

The methodology used in this paper is functional and comparative analysis. The research will be based on comparison of two different models of trademark protection, namely, the US and EU models as the illustration of common law vs. civil law approaches to trademark protection. Particular attention will be paid as to the functions of each approach and the way these two models affect the issues of protection against unfair competition.

This paper will include four chapters. The first chapter will provide a brief overview as to the notion of unfair competition and will focus on the correlation between unfair competition and trademark law. Since the first chapter will reveal inherent connection between unfair competition and trademark law and the possibility to invoke trademark law mechanisms in order to get protection from unfair competition, the next two chapters will analyze the

peculiarities of trademark law protection in the US and EU. In particular, these chapters will address the issue of distinct legal requirements which should be met in order to get trademark protection in the US and EU, the pool of remedies available under each legal system and the interplay between the trademark law and unfair competition on the stage of enforcement of rights. The last chapter will focus on trademark law as a tool of protection against unfair competition in Ukraine. Particular attention will be paid as to the legal problems in the area of trademark protection and the ways of remedy such problems. The conclusion will sum up the main arguments and finding as to the trademark law mechanisms which could be used in order to protect companies against unfair competition in the US and EU and as to the Ukrainian approach to this issue.

Chapter 1: Correlation between Unfair Competition and Trademark Law or Why Businesses Could Invoke Trademark Law as Protection against Unfair Competition

1.1 Notion of “unfair competition”

Unfair competition law was firstly formed and developed in France, and after that it expanded to the territories of other European countries shortly after the establishment of free market economies. Initially, it functioned as a supplement to trademark law in a way that it was designed to “fill the gaps” of the then effective trademark legislation “with reference to business practices which, albeit prejudicial to IPR [intellectual property rights] owners’ goodwill and condemned by the dominant professional circles, could not be legally classed as “infringement” and therefore enforced under said legislation”¹. These new rules allowed IP rights’ holders - and trademark owners in particular - to restrain other market participants from “making disparaging references to her branded goods ... or ... she could prevent them from implementing behaviors aimed at unduly profiting from the trademark’s reputation”².

The notion of “unfair competition” could be considered in two dimensions. Firstly, in a narrow sense, unfair competition refers to a business conduct that does not meet generally established criteria of fairness and is harmful, first of all, in relation to competitors. This link between the unfair behavior of one business entity and its inevitable detrimental effect specifically in relation to other market participants derives from the close connection between unfair competition law and tort law. Historically, in many European countries (for instance, in France) protection against acts of unfair competition was based on general provisions of tort law. Such provisions contemplated legal mechanisms of protection only in relation to the respective

¹ Gustavo Ghidini, *Intellectual Property and Competition Law: the Innovation Nexus* (Edward Elgar Publishing Limited 2006) 112

² Ibid

market participant and within the limits of his respective interests³. In countries with a common law system, the protection against unfair competition was based on claims against passing off. Such claims rest on a rule “forbidding the running of a business in such a way as to filch a competitor’s trade by misleading conduct”⁴ and were also provided for the protection of individual rights of affected market participants. Lord Diplock described the general scope of passing off action in the *Advocaat* case⁵:

“5 characteristics which must be present in order to create a valid cause of action for passing off: (i) a misrepresentation (ii) made by a trader in the course of trade, (iii) to prospective customers of his or ultimate consumers of goods or services supplied by him, (iv) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (v) which causes actual damage to the business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so”⁶.

However, with time this definition was shortened to three basic criteria, which are: “(1) reputation on the part of the plaintiff, (2) a misrepresentation by the defendant and (3) a likelihood that the plaintiff will thereby suffer damage”⁷.

On the other hand, in a broad sense unfair competition law goes far beyond this and, among other things, provides protection to the interests of the public and, in particular, to the interests of consumers, whose rights could also be affected by the unfair commercial conduct of a market

³ Frauke Henning-Bodewig, *Unfair Competition Law European Union and Member States* (Kluwer Law International 2006) 2

⁴ The Rt. Hon. Sir Robin Jacob, Daniel Alexander, Lindsay Lane, *A Guidebook to Intellectual Property* (5th edn, Sweet & Maxwell 2004) 77

⁵ Amanda Michaels, *A Practical Guide to Trade Mark Law* (2nd edn, Sweet & Maxwell 1996) 113; *Erven Warnink BV v. J. Townend & Sons (Hull) Limited* [1979] A. C. 731 at 742; [1979] F. S. R. 397 at 404

⁶ *Ibid*

⁷ *per* Lord Oliver in *Reckitt & Colman Ltd v Borden Inc* [1990] 1 All E.R. 873; Amanda Michaels, *A Practical Guide to Trade Mark Law* (2nd edn, Sweet & Maxwell 1996) 115

participant. For instance, in Germany the issue of unfair competition is regulated not on the basis of tort law, but through enactment of a special law that takes into account the protection of legal interests of both: the competitors and general public as well⁸.

1.2 Legislative framework

On the international level provisions dealing with unfair competition were firstly introduced by the Paris Convention⁹. The Paris Convention defines unfair competition as “any act of competition contrary to honest trade practices in industrial or commercial matters”¹⁰, providing for a broad interpretation of acts of unfair competition as any acts, which are contrary to honest trade practices leaving it for the national laws to determine what constitutes “honesty” in each particular case. It means that, while distinguishing between honest and dishonest practices, one should analyze “the circumstances of the case and the business approach proper to the country or region”¹¹.

The Paris Convention also mentions three examples of acts, which are prohibited under the unfair competition clause: risk of confusion, discrediting of competitors and misleading allegations¹². The WIPO Model Provisions¹³ broaden this list by adding two more examples,

⁸ Frauke Henning-Bodewig, *Unfair Competition Law European Union and Member States* (Kluwer Law International 2006) 3

⁹Paris Convention for the Protection of Industrial Property, Paris, 20 March 1883 (Paris Convention)

¹⁰ Paris Convention, art. 10bis(2)

¹¹ Maria Teresa Lo Greco, “Unfair Competition and IP” (9 October 2008) <https://www.google.hu/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CB8QFjAA&url=http%3A%2F%2Fwww.wipo.int%2Fedocs%2Fmdocs%2Fsme%2Fen%2Fwipo_kipo_kipa_ip_ge_08%2Fwipo_kipo_kipa_ip_ge_08_www_109885.ppt&ei=NMDgVMznFMjkatirgdAB&usq=AFQjCNFRpSDafDQjptQw_3S-8rB9OyBHiQ&sig2=A-k2bsHsyvhO9mjFYzWlhQ&bvm=bv.85970519,d.bGQ> accessed 15 February 2015

¹² Paris Convention, art. 10bis(3)

¹³Model Provisions on Protection Against Unfair Competition (presented by the International Bureau of WIPO) 1996 (WIPO Model Provisions); Although WIPO Model Provisions do not have binding force and shall be treated as guidelines, they provide a valuable insight as to the position of leading IP and Competition law experts on particular issues of unfair competition law.

such as the protection of trade secrets and the damage to goodwill or reputation¹⁴. Another crucial novelty introduced by the WIPO Model Provisions is that they treat unfair competition in a broad way and grant protection not only to the affected competitors, but to the consumers as well¹⁵.

The EU legislator went beyond this threshold by providing a more precise definition of unfair competition and enshrining a two-step test for determining unfair competition. According to Article 5(2) of the Unfair Commercial Practices Directive¹⁶, unfair commercial practice is the one which is “contrary to the requirements of professional diligence” and which “materially distorts the economic behavior with regard to the product of the average consumer whom it reaches”. Thus, under the EU approach, not only the dishonesty of the commercial practice, but also its economic effect matters. It is also worth mentioning that the Unfair Commercial Practices Directive is restricted only to business-to-consumer practices, and does not cover the protection of competitors.

The Act that regulates the legal relationships between traders (i. e. competitors) is the Misleading and Comparative Advertising Directive¹⁷. It sets up a minimum standard requirement as to the protection against unfair competition and Member States are free to establish stricter rules as to the issue of misleading advertising¹⁸. The Misleading and Comparative Advertising Directive covers two sets of unfair market behavior: misleading

¹⁴ WIPO Model Provisions, arts 3, 6

¹⁵ WIPO Model Provisions, notes on art 1

¹⁶ Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No 2006/2004 of the European Parliament and of the Council (Unfair Commercial Practices Directive)

¹⁷ Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (Misleading and Comparative Advertising Directive)

¹⁸ Misleading and Comparative Advertising Directive, art. 8

advertising and comparative advertising. As for misleading advertising, its scope of application is limited by the concept of “misleading advertising” which is defined as “...any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which, for those reasons, injures or is likely to injure a competitor”¹⁹. Misleading advertising is considered as an act of unfair competition.

Comparative advertising could be lawful provided that certain criteria are fulfilled. In particular, it is not misleading if it compares goods or services with the same purpose; it objectively compares material features; it does not discredit trademarks; it does not take unfair advantage of the reputation of a trade mark, it does not present goods as imitations or replicas of goods bearing a protected trademark; it does not create confusion among traders, between the advertiser and a competitor or between the advertiser’s trademarks and those of competitor²⁰.

In the US unfair competition as a common law tort and on the federal law level provides for the protection of “honest practices in industrial or commercial matters”²¹. On the federal law level the issue of unfair competition is regulated by section 43(a) of Lanham Act²² which does not require registration of a federal trademark. An unfair competition claim can be brought on the grounds of likelihood of confusion or false advertising²³. Federal unfair competition law is enforced through the administrative authority – Federal Trade Commission. However, the legislation adopted by States, namely “little FTC Acts” (Unfair and Deceptive Acts adopted by each State) is considered as more progressive.²⁴ Such acts provide that businesses can sue each

¹⁹ Misleading and Comparative Advertising Directive, art. 2(b)

²⁰ Misleading and Comparative Advertising Directive, art. 4

²¹D. Jennings Meincke, “Background on Federal Unfair Competition” <<http://www.lectlaw.com/files/inp28.htm>> accessed 15 February 2015

²² The Lanham Act, 15 U.S. Code § 1125, enacted 6 July 1946 (Lanham Act)

²³ Lanham Act, 15 U.S. Code § 1125(a)

²⁴ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 135

other for passing off or palming off if one entity lost sales because another entity claimed that its goods came from the first entity. Such little FTC Acts can be applied together with State trademark acts.²⁵

1.3 Correlation between unfair competition and trademark law

Historically unfair competition and trademark law have many points of contacts and, thus, they are considered to be interrelated. This connection stems from the very first international regulation of these two areas of law – the Paris Convention. Although this treaty is dedicated to various issues of industrial property (and trademark law in particular), it also lays down the basics of protection granted within the scope of unfair competition law.

More recent legislative acts on unfair competition²⁶ and relevant court practice also shows that unfair competition law and trademark law often employ almost identical notions and legal categories. For instance, one of such points of contact is the issue of likelihood of confusion and, more precisely, the average consumer benchmark, which is applied in order to determine the presence of confusion.

The “average consumer” test appears in both trademark and unfair competition cases. For instance, in the *Lloyd* case on trademark infringement²⁷ in the European Union the court came to the conclusion that “the perception of marks in the mind of the average consumer of the category of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion”²⁸. For that purpose, “the average consumer ... is deemed to be reasonably well-informed and reasonably observant and circumspect”²⁹. At the same time,

²⁵ Dana Shilling, *Essentials of Trademarks and Unfair Competition* (John Wiley & Sons 2002) 199

²⁶ For instance, Unfair Commercial Practices Directive, Misleading and Comparative Advertising Directive

²⁷ Case C – 342/97 *Lloyd Schuhfabrik v. Klijsen Handel BV* [1997] ECR (Lloyd case)

²⁸ *Lloyd* case, para 25

²⁹ *Ibid*, para 26

while considering the case on unfair competition³⁰ the court stated that in order to determine the notion of misleading “the Court took into account the presumed expectations of an average consumer who is reasonably well-informed and reasonably observant and circumspect”³¹. The same benchmark of “reasonably informed and reasonably observant and circumspect average consumer” was also laid down by the court in Toshiba case dealing with issues of unfair competition in course of comparative advertising³².

In the US the concept of property rights in trademarks was developed before the emergence of the unfair competition doctrine, which is based on the principle that “nobody has any right to represent his goods as the goods of somebody else”³³. With the development of unfair competition law, it became clear that irrespective of whether the damage was caused by trademark imitation or any other kind of misuse of one’s goodwill, its nature was identical and equal to “diminution of his business due to defendant’s trading on his reputation”³⁴. Once this similarity of outcomes was recognized, the disputes dealing with trademark infringements tended to protect not only the property rights in relation to the trademark itself, but in relation to the goodwill of a business as a whole³⁵. This approach was illustrated in the *Hanover Star Milling Co.* case³⁶, where the court held that “the common law of trademarks is but a part of the broader law of unfair competition. Common law trademarks, and the right to their exclusive

³⁰ Case C – 210/96 *Gut Springenheide* [1998] ECR I-04657

³¹ *Ibid*, para 31

³² Case C – 112/99 *Toshiba Europe* [2001] ECR I – 7945, para 52. In order to determine whether the equipment manufacturer’s product numbers are distinguishing marks court have to take into account “the perception of an average individual who is reasonably well informed and reasonably observant and circumspect”.

³³ A. R. R., “Trademarks: Relation of Trademark Infringement to the Law of Unfair Competition” (1919) 7 California Law Review <http://www.jstor.org/stable/3474575?origin=JSTOR-pdf&seq=1#page_scan_tab_contents> accessed 15 February 2015; *Reddaway v. Banham*, L. R. (1896) A. C. 199, 204

³⁴ *Ibid*

³⁵ *Ibid*

³⁶ *Hanover Star Milling Co. v. Metcalf* (1915) 240 U. S. 403, 60 L. Ed. 713, 36 Sup. Ct. Rep. 357

use, are of course to be classed among property rights, but only in the sense that a man's right to the continued enjoyment of his trade reputation and the goodwill that flows from it, free from unwarranted interference by others, is a property right, for the protection of which a trademark is an instrumentality³⁷.

On the other side, it should be noted that while often applying similar legal concepts, unfair competition law and trademark law pursue different goals³⁸. Trademark is aimed at insuring certain level of guarantee that goods or services bearing a certain trademark were produced by respective trademark holder who is responsible for the quality of the goods or services, and that their condition was not diminished in course of any interference without the approval of the trademark holder³⁹. In other words, the main purpose of trademark law is to ensure the protection of property rights of trademark holders. At the same time unfair competition law is devoted to a quite different purpose, namely, to prevent distortion of competition among the undertakings.

As Professor Gustavo Ghidini pointed out, "one should recognize a dialectical exchange between the two disciplines which aim at different but often synergic objectives, and therefore often interact to eliminate situations which would obstruct both innovation and competitive dynamics. Thus, through the dialectical exchange, each discipline, by fulfilling its function, can also indirectly serve the aims of the other"⁴⁰.

In other words, despite the fact that trademark law and unfair competition law pursue different goals, i.e. combating unfair acts of competitors in case of the former and protection of property

³⁷Ibid

³⁸ Frauke Henning-Bodewig, *Unfair Competition Law European Union and Member States* (Kluwer Law International 2006) 5

³⁹ Jonathan D. C. Turner, *Intellectual Property and EU Competition Law* (Oxford University Press 2010) 17-18

⁴⁰ Gustavo Ghidini, *Intellectual Property and Competition Law: the Innovation Nexus* (Edward Elgar Publishing Limited 2006) 115

rights of a trademark owner as for the latter, legal remedies available under unfair competition law and trademark law are to certain extent mutually complementary and in some cases interchangeable.

In this regard, however, it should be noted that remedies provided by unfair competition law and trademark law could not be contradictory as “the delicate balance between the freedom of competition (and imitation) and the granting of exclusive rights”⁴¹ shall not be disturbed.

1.4 Why businesses could invoke trademark law as protection against unfair competition

Trademark law provides businesses with mechanisms to protect their interests in connection with their trademarks. However, nowadays these interests are not limited only to the main function of the trademark, i. e. to serve as an indicator of particular source, but include also business interests as to the protection of the goodwill standing behind every trademark and, even more importantly, protection of investments incurred in the course of trademark establishment. Once a trademark acquires reputation, trademark protection extends not only to the trademark itself but to the earned reputation as well. As an evidence supporting the statement that the trademark not only serves as a designation of origin, but as an independent valuable asset one could consider the fact that nowadays consumers tend to pay additional money for the brand itself. For instance, roughly 10 per cent of the value of the car is paid actually for the brand, i. e. reputation of the car manufacturer, whereupon Mercedes is more expensive than Volkswagen and Volkswagen is in its turn more expensive than Ford. This means that the trademark (i. e. the reputation) of one manufacturer is considered stronger than of another one, and, consequently, is valued higher.⁴²

⁴¹ Frauke Henning-Bodewig, *Unfair Competition Law European Union and Member States* (Kluwer Law International 2006) 4

⁴² Paul Hague, “Measuring Brand Value - How much are brands worth?” <<https://www.b2binternational.com/publications/value-of-brands/>> accessed 25 March 2015.

Since every trademark has certain market identity, level of reputation and goodwill behind it, trademark infringement, when third party without the authorization uses such trademark and, consequently, goodwill, could be regarded at the same time as distortion of fair competition. Thus, trademark law may serve not only for granting certain proprietary IP rights, but also for protection from unfair competitors.

In comparison with unfair competition law, trademark law offers a wider range of legal mechanisms of trademark protection, which at the same time could be used as a mean of protection against unfair market behavior of a market participant. Intense development of trademark law worldwide (that is, execution of TRIPS Agreement⁴³ under the auspices of WTO; enactment of Lanham Act in the US and adoption of Trademarks Directive⁴⁴ in EU), inevitably led to the appearance of more strong and extensive means of trademark protection. It should be noted, however, that such protection could be granted only provided the affected party satisfies certain requirements (such as, for instance, registration of a trademark).

As it was stated earlier, trademark law and unfair competition law have much in common and, therefore, are strongly connected. This nexus could be used by the businesses while constructing their legal defense strategy to be applied against the competitors who negatively affected their trademark owner's rights/reputation. For instance, to protect his/her goodwill in case of an act of unfair competition, an affected trader could choose a remedy available not only under unfair competition law, but also under trademark law; which as a rule is stronger.

Nevertheless, it is worth bearing in mind that in order to get protection from unfair competitors via the trademark law, a market participant has to comply with extensive legal requirements.

⁴³ Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) Annex 1 C of the Marrakesh Agreement Establishing the World Trade Organization, Marrakesh, Morocco, 15 April 1994

⁴⁴ Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks (Trademarks Directive)

The wide range of such requirements that should be met in order to receive such protection in different jurisdictions and the pool of remedies offered within the limits of trademark protection are analyzed in the following chapters. In particular, Chapter 2 is devoted to the US approach (as a common law country) as to the legal mechanism of trademark protection and Chapter 3 describes how certain EU Member States (as civil law countries) deal with various aspects of trademark protection. The last Chapter sets forth how the author's home jurisdiction, Ukraine, deals with the above-mentioned issues and demonstrates how unfair competition measures of protection could be invoked when for certain reasons trademark law cannot provide for necessary tools.

Chapter 2: Mechanism of Trademark Protection in the US or How Trademark Law Can Assist in Goodwill Protection in the US

2.1 Prerequisites for the protection of trademarks

In the US trademarks can seek protection on state and federal levels given that such a twofold protection mechanism is based on state common law, state statutory law and federal statutory law. Regardless of the level of protection afforded to a trademark, the main requirements for such protection are to a high extent similar.⁴⁵

Under state common law one of the basic prerequisites for trademark protection is that the trademark shall serve as indication of a particular source in the eyes of the consumer, i. e. the mark shall exercise the function of source indicator assisting the public with the identification of the origin of particular goods or services, by distinguishing them from any other goods or services. To attain protection, such designation shall bear “a separate and distinct commercial impression, which ... performs the trademark function of identifying the source of the merchandise to the customers.”⁴⁶ This being said, it is the trademark owner who shall prove that his trademark serves as a source indicator for consumers. The relevant evidence may include “the size, positioning, typeface and emphasis given to the term or symbol that sets it apart from other information presented to the consumer.”⁴⁷

Another requirement is that trademark shall be affixed to goods associated with trademark, packaging or tags. Under common law the affixation requirement is minimal and equals to “any manner of use that is sufficient to create an association between the designation and the user’s goods or service.”⁴⁸ Thus, even the use of mark on price lists, mail solicitations or advertising

⁴⁵ Robert C. Lind, *Trademark Law* (3rd edition, Carolina Academic Press 2006) 5

⁴⁶ *In re Chemical Dynamics, Inc.*, 839 F. 2d 1569, 1571 (Fed. Cir. 1988)

⁴⁷ Robert C. Lind, *Trademark Law* (3rd edition, Carolina Academic Press 2006) 7

⁴⁸ Restatement (Third) of Unfair Competition 1995, para 18

is enough to fulfil the affixation requirement.⁴⁹ On the federal law level, the affixation requirement is treated as stricter standard contemplating physical affixation on goods, containers, displays, tags, labels or documents.⁵⁰

The third requirement provides for the use of trademark in trade. In the US trademark rights are directly linked to the use of the trademark in the marketplace, that is “the right grows out of use, not mere adoption.”⁵¹

One of the underlying rules of trademark protection in the US is that trademark owner acquires trademark rights “only through the actual use of the mark to indicate the source of goods or services, and the public must actually recognize the mark as a source indicator”⁵². This principle was outlined in the Supreme Court’s decision in the *United Drug Co.* case, where the Court held that “there is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed....The right to a particular mark grows out of its use, not its mere adoption.”⁵³ Consequently, if a trademark is not used to designate the origin of certain goods or services or if consumers do not associate it with a particular source, then such trademark could not be protected under trademark law.⁵⁴ This rule requires trademark owners to establish certain level of control or, at least, to monitor the use of trademark and its perception by consumers. However, it should be noted that regardless of the trademark owner’s efforts and measures taken to acquire protection of its

⁴⁹ Robert C. Lind, *Trademark Law* (3rd edition, Carolina Academic Press 2006) 9

⁵⁰ Lanham Act, 15 U.S. Code § 1127; *In re Shipley Co.*, 230 U. S. P. Q. 691 (T. T. A. B. 1986)

⁵¹ *Hanover Star Milling Co. v. Metcalf*, 240 U. S. 403, 413 (1916)

⁵² Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 1

⁵³ *United Drug Co. v. Theodore Rectanus Co.*, 248 U. S. 90, 97 (1918)

⁵⁴ Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 2

trademark, “the consumer remains the ultimate arbiter of whether that mark deserves continued protection.”⁵⁵

On the state law level trademark protection can be granted only if the mark is actually used in trade in connection with the sale of certain goods or services on the market. The same principle also applies on the federal law level under the Lanham Act. However, at the federal level there are certain exceptions, such as intent-to-use provisions (§ 2.10) and federal registration on the basis of foreign registration provided that the use commences within six years (§ 2.14).⁵⁶ Under both federal and state law such use requirement contemplates a good faith use of the trademark in connection with the sale of goods or services, i. e. such use cannot be “designed merely to reserve rights in the mark”.⁵⁷

Under common law (that is, on state law level) the right to use a trademark is based on the priority rule. Thus, “the first to use a mark on a product or service in a particular geographic market acquires rights in the mark in that market.”⁵⁸ The priority in each particular case could be determined on the basis of actual use of the trademark, business presence and reputation of the trademark owner and, in some cases, “zone of expansion”.⁵⁹ Actual use requirement contemplates that the trademark owner uses its trademark consistently and continuously in its ordinary course of business. In this regard “the number and dollar amounts of the sales on the

⁵⁵ Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 2; *DuPont Cellophane Co. v. Waxed Prods. Co.* 85 F. 2d 75, 81 (2d Cir. 1936)

⁵⁶ Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 34

⁵⁷ Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 34

⁵⁸ *Popular Bank of Fla. V. Banco Popular de Puerto Rico*, 9 F. Supp. 2d 1347, 1353 (S. D. Fla. 1998)

⁵⁹ *Popular Bank of Fla. V. Banco Popular de Puerto Rico*, 9 F. Supp. 2d 1347, 1353 (S. D. Fla. 1998)

area, the number of customers, the pattern of sales over time, and the potential growth of sales are all relevant factors that should be considered by the court in determining actual use.”⁶⁰

It is worth mentioning that trademark can be qualified as used in trade even if the goods bearing the trademark are not on the market yet. In this case different kinds of presale activity, for instance, presentations or advertising could amount to use in trade, provided that “the use is calculated to produce the required association between the mark and the user’s goods and is done in the user’s ordinary course of business.”⁶¹ However, such presale activity shall substantially affect the consumers and have to lead to the promotion of the mark.⁶²

The zone of expansion doctrine allows trademark owner to establish priority on a particular territory even if she did not have actual use within that territory and did not acquire reputation on that territory. Provided that “the area is within the zone of the prior user’s probable or natural expansion.... the “zone of natural expansion” doctrine grants the senior user some limited “breathing space” in which to expand beyond its current use.”⁶³ Basically, courts determine the zone of expansion as the territory that lies in proximity to those territories where the trademark owner has her business presence.

On the federal law level the use in commerce test under Lanham Act is close to the use requirement on the state law level.⁶⁴

⁶⁰ *Popular Bank of Fla. V. Banco Popular de Puerto Rico*, 9 F. Supp. 2d 1347, 1353 (S. D. Fla. 1998) (citing *Sweetarts v. Sunline, Inc.*, 380 F. 2d 923, 929 (8th Cir. 1967))

⁶¹ Robert C. Lind, *Trademark Law* (3rd edition, Carolina Academic Press 2006) 11; Restatement (Third) of Unfair Competition 1995, para 18; *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F. 3d 427, 434-35 (7th Cir. 1999); *New West Corp. v. NYM Co.*, 595 F. 2d 1194 (9th Cir. 1979)

⁶² *T. A. B. Systems v. Pactel Teletrac*, 77 F. 3d 1372 (Fed. Cir. 1996)

⁶³ *Blue Bell Inc. v. Farah Mfg. Co.* 508 F. 2d 1260 (5th Cir. 1975) (citing *Tally-Ho, Inc.*, 889 F. 2d)

⁶⁴ *Societe de Developments et D’Innovations*, 662 F. Supp. 853 (citing J. T. McCarthy, *Trademarks and Unfair Competition* (2d ed. 1984))

To acquire protection on federal law level, trademark must be “used in commerce”⁶⁵, where commerce is treated not just as for-profit activity, but broadly defined as “all commerce which may lawfully be regulated by Congress”⁶⁶ including “commerce with foreign Nations, and among the several States, and with the Indian Tribes.”⁶⁷ The interpretation of interstate commerce is broad⁶⁸ and includes shipment of components⁶⁹, mere advertising⁷⁰, solicitation of interstate commerce transactions⁷¹ and importation into USA⁷².

The Lanham Act provides for two types of activities that encompass the use of commerce: (1) a mark shall be affixed to the goods or services and (2) the goods or services must travel in commerce.⁷³ Thus, the use requirement is not that strict, and could be easily achieved. “All that is required is that the mark be adopted and thereafter used in a way sufficiently public to identify the marked goods or services to the appropriate segment of the public, regardless of any actual sales.”⁷⁴

The trademark protection of federal law level is conferred upon the registration of the trademark. Such registration provides for certain advantages for the trademark holder, namely, the registration is treated as evidence of the validity of respective trademark and validity of the

⁶⁵ 15 U. S. C. para 1051 (a) (1)

⁶⁶ 15 U. S. C. para 1127

⁶⁷ U. S. Constitution, art. I, para 8

⁶⁸ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 81

⁶⁹ *In re Digequip Security Industries, Inc.*, 225 U. S. P. Q. 230 (T. T. A. B. 1984)

⁷⁰ *Burger King of Florida, Inc. v. Brewer*, 244 F. Supp. 293 (W. D. Tenn. 1965)

⁷¹ *Shatel Corp. v. Mao Ta Lumber & Yacht Corp.*, 697 F. 2d 1352 (11th Cir. 1983)

⁷² *Pioneer Kabushiki Kaisha v. Jazzy Electronics, Inc.*, 212 U. S. P. Q. 591 (E. D. N. Y 1981)

⁷³ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 84

⁷⁴ George W. Kuney, Donna C. Looper, *Mastering Intellectual Property* (Carolina Academic Press 2009) 216

registration itself, it also certifies the ownership title of the trademark holder as to the trademark and, finally, it confers exclusive rights to use the respective trademark in commerce.⁷⁵

The Lanham Act also recognizes the possibility to file “intent to use” applications. Such application could be registered before the date on which the trademark is used in commerce, provided that the applicant will submit the statement on the use of the mark within six months from the registration of “intent to use” application. Thus, through this intent to use procedure the applicant can acquire a priority date (which corresponds to the filing date) preceding the date of the actual use of the trademark.⁷⁶

The Lanham Act also incorporates the *telle quelle* rule introduced by the Paris Convention.⁷⁷ It sets forth a trademark duly registered in one of the countries of the Paris Union shall be accepted for registration and protected “as is” in the US, provided that the applicant submits a certification of trademark registration and states her good faith intention to use the trademark in commerce.⁷⁸ Although the applicant is exempted from the actual use requirement, she still has to meet all the other requirements set for trademark protection (for instance, distinctiveness of trademark).⁷⁹

Another crucial factor to consider while granting protection to trademark is the level of distinctiveness of the trademark, i. e. consumers shall perceive the trademark as the indicator of a particular source.⁸⁰ Courts developed certain characteristics of distinctiveness and held that

⁷⁵ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 118

⁷⁶ Mary LaFrance, *Understanding Trademark Law* (Matthew Bender & Company, Inc., a member of the LexisNexis Group 2005) 47; Linda A. Tancs, *Understanding Trademark Law: A Beginner’s Guide* (Oxford University Press 2009) 11

⁷⁷ Paris Convention, Article 6 quinquies

⁷⁸ Lanham Act, para 44(e), Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 99

⁷⁹ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 100

⁸⁰ *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U. S. 763, 768 (1992)

to be distinctive the trademark shall (1) be sufficiently different from other trademarks for the same category of goods; (2) the mark does not just describe the characteristics which are in common for certain category of goods; (3) the mark serves to identify the origin of the goods.⁸¹

There are four categories of distinctiveness: generic, descriptive, suggestive, arbitrary and fanciful. Some marks, namely arbitrary or suggestive are inherently distinctive. This means that they qualify as trademark automatically because “in the particular industry it has no primary language meaning to overcome”⁸² and consequently trademark owner does not have to prove secondary meaning.⁸³ Other terms, for instance, descriptive cannot be treated as trademarks automatically and have to acquire distinctiveness by acquiring secondary meaning.⁸⁴ A secondary meaning is considered to be acquired when “in the minds of the public, the primary significance of a product feature... is to identify the source of the product rather than the product itself.”⁸⁵ That is to say, consumers begin to perceive the trademark not in accordance with its primary meaning, but as a designation of particular source. Secondary meaning could be proved relying on several factors, such as duration of trademark’s use (the longer the duration – the stronger probability of secondary meaning’s acquisition)⁸⁶, the amount of sales (the bigger the amount of sales of goods bearing trademark, the greater the likelihood that consumers associate them with particular source)⁸⁷, intensiveness of advertising campaign (the amount of funds and efforts the trademark owner invests in campaign and its effectiveness also affects the acquisition

⁸¹ *Nutro Prods. v. Cole Grain Co.*, 5 Cal. Rptr. 2d 41 (Cal. Ct. App. 1992)

⁸² Robert C. Lind, *Trademark Law* (3rd edition, Carolina Academic Press 2006) 13; *University of Georgia Athletic Ass’n v. Laite*, 756 F.2d 1535, 1540-41 (11th Cir. 1985)

⁸³ *Anheuser-Busch Inc. v. John Labatt Ltd.*, 89 F.3d 1339, 1345 (8th Cir. 1996)

⁸⁴ *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976)

⁸⁵ *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851 n. 11 (1982)

⁸⁶ *Int’l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079 (7th Cir. 1988)

⁸⁷ *E. & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F. Supp. 457 (N. D. Cal. 1991)

of secondary meaning)⁸⁸ and consumer surveys which provide valuable data as to perception of consumers⁸⁹.

A federal registration establishes the presumption that the trademark is valid and the registrant owns the trademark and has exclusive right to use it in trade.⁹⁰ It creates “constructive notice” to others as to the ownership of the trademark by the registrant.⁹¹

2.2 Scope of protection

The rule as to the territorial scope of common law trademark protection was developed by court practice and is known as the “Tea Rose” doctrine.⁹² Under this rule the senior trademark holder, i.e. the one who first adopted the mark, who uses the trademark within a particular territory cannot refrain a good faith junior trademark holder from using the same trademark within the limits of a distant territorial unit (for instance, in a different not-neighboring state). This rule was established in the *Hanover Star Milling* case where the court held that in the case of independent use of the same trademark “in separate markets wholly remote” the priority was “legally insignificant, unless at least it appear that the second adopter has selected the mark with some design inimical to the interests of the first user.”⁹³ This rule was also restated in another Supreme Court decision, the *United Drug* case. There the Court came to the conclusion that geographical and equitable considerations could prevail over priority in time and

⁸⁸ *Co-Rect Prod., Inc. v. Marvy! Advertising Photography, Inc.*, 780 F. 2d 1324,1332 (8th Cir. 1985); *Japan Telecom, Inc. v. Japan Telecom America Inc.*, 287 F. 3d 866, 875 (9th Cir. 2002)

⁸⁹ *Woodsmith Publishing Co. v. Meredith Corp.*, 904 F. 2d 1244, 1249 (8th Cir. 1990); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F. 2d 1352, 1358 (9th Cir. 1985)

⁹⁰ 15 U. S. C. para 1057 (b); *America Online, Inc. v. AT & T Corp.*, 243 F. 3d 812, 816 (4th Cir. 2001) Note: this presumption works only in relation to goods or services mentioned in the registration certificate

⁹¹ 15 U. S. C. para 1072; *Sterling Brewing, Inc. v. Cold Spring Brewing Corp.*, 100 F. Supp. 412 (D. Mass. 1951)

⁹² Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 158

⁹³ *Hanover Star Milling Co. v. Metcalf* (1915) 240 U. S. 403, 60 L. Ed. 713, 36 Sup. Ct. Rep. 357; Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 159

emphasized that the junior trademark holder used the mark in good faith and created some goodwill within the limits of particular territorial unit (remote from the one where the senior trademark holder used his mark); moreover, the customers tended to associate his trademark with a particular source. It is worth mentioning that in that case the Court did not invalidate the rights of the senior user or its status, it just established the limits of the senior user's rights.⁹⁴

In case of registered trademarks another rule on the scope of protection was adopted. In the *Dawn Donut* case the court held that registration of a trademark shall serve as a constructive notice to the public, and such notice shall spread nationwide regardless of the markets where the senior use actually operates. However, although the senior holder has superior rights comparing to the junior holder, it can refrain the junior holder from using the mark in a particular market, only provided that the senior holder demonstrates the likelihood of entering that particular market.⁹⁵

The Lanham Act regulates situations when there is a dispute as to the scope of trademark protection between the senior holder and the junior holder who started to use the trademark after the actual use of the senior holder, but before the registration of the trademark by the latter (so called "intermediate junior user"). Section 33(b)(5) sets forth that, provided that the intermediate junior user was not aware of the prior use of the trademark by the senior user, and that she was continuously using the trademark before the registration by the senior user, the intermediate junior user can use the trademark within a respective territorial unit.⁹⁶

⁹⁴ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 160

⁹⁵ *Dawn Donut Co., Inc. v. Hart's Food Stores, Inc.*, 267 F. 2d 358 (2d Cir. 1959); Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 169-170

⁹⁶ Lanham Act, Section 33(b)(5); Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 171

2.3 Available remedies

Once the trademark user has met all abovementioned requirements necessary for trademark protection, he gains access to a pool of remedies which trademark owners can employ in order to protect their rights. Generally trademark protection may be invoked in case of trademark infringement (in case of registered trademark) and false designation of origin (in case of unregistered trademark). A trademark infringement claim consists of three main factors, such as the presence of valid registered trademark, unauthorized use of that trademark and the last but definitely not the least element is likelihood of confusion caused by such use.⁹⁷

An unfair competition claim of false designation of origin is based on a similar structure: presence of valid rights as to the trademark, unauthorized use of the mark and likelihood of confusion.⁹⁸ This being said, the third requirement – likelihood of confusion is the decisive element of establishing liability both in cases of trademark infringement and false designation of origin.⁹⁹

The assessment of whether the likelihood of confusion took place is a matter of careful court analysis of the circumstances of each particular case. The list of such circumstances (or, factor) which courts tend to take into consideration varies depending on the state. However, in general the likelihood of confusion test consists of the following elements: similarity of the trademarks, strength of the plaintiff's trademark, competitiveness of the goods or services associated with the trademarks, intent of the defendant, actual confusion and level of purchasers' sophistication.¹⁰⁰

⁹⁷ Lanham Act, Section 32(1)(a)

⁹⁸ Lanham Act, Section 43(a)(1)

⁹⁹ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 194

¹⁰⁰ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 208

Once the Court finds the defendant liable, the plaintiff is entitled to the arsenal of remedies.¹⁰¹

One of the most effective remedies in trademark infringement or unfair competition cases is injunctive relief. Section 34 of Lanham Act explicitly authorized courts to grant such kind of equitable remedies. While deciding on preliminary or permanent injunctions the courts tend to apply the test based on traditional equitable principles developed by the Supreme Court in the *eBay* case.¹⁰² Under the *eBay* test the party seeking an injunction has to show that it has suffered irreparable injury; remedies at law are inadequate; equitable remedy is warranted and that public interest will not be affected.¹⁰³

When deciding on the scope of the injunctive relief, the courts look at the so called “safe distance” rule. This rule empowers the courts to craft broader injunctions on the basis of the principle that “a competitive business, once convicted of unfair competition in a given particular, should thereafter be required to keep a safe distance away from the margin line – even if that requirement involves a handicap as compared with those who have not disqualified themselves. Having crossed the line of fair competition, a manufacturer may be ordered to stand back from it.”¹⁰⁴ The court is entitled to grant not only prohibitory injunctions (to prevent the defendant from carrying out infringing activities), but also to order the party to undertake certain actions (for instance, add disclaimers to the goods or distribute corrective advertising).¹⁰⁵

¹⁰¹ Note: the scope of this paper is limited to civil remedies

¹⁰² *eBay Inc. v. MercExchange, L. L. C.*, 547 U. S. 388 (2006); Note: although it was a patent case, the courts apply the same test as to the trademark infringement or false designation of origin cases

¹⁰³ *eBay Inc. v. MercExchange, L. L. C.*, 547 U. S. 388 (2006); Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 382

¹⁰⁴ *Sunbeam Products, Inc. v. West Bend Co.*, 123 F. 3d 246, 260-61, 44 U. S. P. Q. 2d (BNA) 1161 (5th Cir. 1997)

¹⁰⁵ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 387

In case of monetary damages, the affected party is also entitled to claim monetary relief. Section 35(a) of the Lanham Act sets forth the possibility to get monetary award in the amount of (1) defendant's profits, (2) any damages incurred by plaintiff and (3) the costs of the action. If the damages are assessed on the basis of the second criterion – damages incurred by the plaintiff, then usually the plaintiff shall calculate and show lost profits he could have earned provided his rights were not infringed.¹⁰⁶ If this is difficult to assess, the plaintiff can apply the first criterion and take a look at the defendant's profits arising out of the infringing actions.

2.4 Interaction of trademark and unfair competition mechanisms of protection

In the US courts tend to consider trademark infringement and unfair competition cases as “species of the same general legal right”¹⁰⁷ and, therefore, explicitly refer to the close relationship between trademark law and unfair competition protection.¹⁰⁸ Moreover, unfair competition is as a rule considered as a “category of misconduct arising from virtually any kind of deception of consumers or the public in the conduct of business activities.”¹⁰⁹ Such almost unlimited scope of application and general character of unfair competition allows parties while initiating courts proceedings to invoke not only trademark law protection mechanisms but also unfair competition protection as a supplementary remedy.

¹⁰⁶ Mark D. Janis, *Trademark and Unfair Competition Law in a Nutshell* (LEG, Inc. d/b/a West Academic Publishing 2013) 392; *Lindy Pen Co., Inc. v. Bic Pen Corp*, 982 F.2d 1400 (9th Cir. 1993)

¹⁰⁷ Shyamkrishna Balganes, *Intellectual Property and the Common Law* (Cambridge University Press 2013) 294

¹⁰⁸ See, e. g., *Hanover Star Milling Co. v. Metcalf* (1915) 240 U. S. 403, 60 L. Ed. 713, 36 Sup. Ct. Rep. 357

¹⁰⁹ Patrick J. Flinn, *Handbook of Intellectual Property Claims and Remedies* (Aspen Publishers 2004) 8-6; *American Footwear Corp. v. General Footwear Co. Ltd.*, 609 F.2d 655, C.A.N.Y., 1979 (“Although at one time the law of unfair competition was limited to claims that one party had attempted to pass off his goods as those of another party, unfair competition is now held to encompass a broader range of unfair practices which may be generally described as a misappropriation of the skill, expenditures, and labor of another.”)

To build up a strong position in the case the parties prefer to claim all possible options of protection on all levels resorting to claims under federal law, state law and common law provisions within the limits of one action. For instance, in *Polo Fashions, Inc. v. Craftex, Inc.* case¹¹⁰ the claimant filed action alleging four cause of actions at the same time: trademark infringement under the Lanham Act (federal trademark law); false designation and representation of origin under the Lanham Act (federal unfair competition law); common law trademark infringement and unfair competition and unfair trade practices under North Carolina's Unfair Trade Practices Act. The court held that as the likelihood of confusion test was satisfied, the trademark infringement claim under federal law was affirmed and at the same time since state unfair competition law shall be interpreted broadly and shall encompass any conduct that according to a court of equity is unfair, the court also affirmed the unfair competition law defense and even awarded damages under unfair competition law provisions without considering availability of damages under the Lanham Act. Similar interaction between the trademark law and unfair competition law is demonstrated by the court in *Atrezzi v. Maytag Corporation* case¹¹¹ where the court permitted the damages to be calculated under state unfair competition law provisions for a claim premised on the likelihood of confusion infringement under the Lanham Act.¹¹²

This cases demonstrate that in the US the best strategy for the affected trademark owner is to invoke all possible mechanisms of protection simultaneously in the course of one court proceedings. On the one hand this will allow the party to claim the most favorable remedies

¹¹⁰ *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 149 (4th Cir. 1987)

¹¹¹ *Atrezzi, LLC v. Maytag Corp.*, 436 F. 3d 32, 39 (1st Cir. 2006)

¹¹² Michael C. Gilleran, "Enhanced Remedies for Federal IP Claims under State Law" <http://www.edwardswildman.com/Files/Publication/d9d6bb99-01c6-4e3d-90fa-fae4eb22b5b6/Presentation/PublicationAttachment/bb39b6f2-5d08-4262-9059-5538fc143ec3/Enhanced%20Remedies_Gilleran.pdf> accessed 26 March 2015

and, on the other hand, the court would have the possibility to maneuver among the wide range of legislative provisions applying them to the circumstance of a particular case.

Chapter 3: European Pattern of Trademark Protection

3.1 Requirements and levels for trademark protection

On the other side of the ocean, in the European Union, the system of trademark protection differs significantly from the US mechanism. The main difference is that in Europe there is no such requirement as prior use of a trademark. Here trademarks' protection is associated with their registration. Once a trademark is registered, the owner of the trademark acquires a pool of rights as to his trademark and, consequently, a set of remedies in case of potential infringements.

The outstanding feature of trademark registration process for the trademark owners operating within the European continent lies in the multi-level mechanism of registration and protection: a trademark owner can opt for registration either on national level, or alternatively, register his trademark as a community trademark (CTM).

Each level of registration has its own peculiarities. On a national level every country has its own rules governing the procedure of registration, prerequisites of registration and bundle of rights acquired upon registration. However, generally, criteria for trademark protectability in every member state of the European Union include two basic requirements: first – distinctiveness of the trademark and second – non-deceptiveness of the trademark and its compliance with public policy and morality.¹¹³

The first requirement – distinctive character of the trademark is very much similar to the analogous requirement in the US. It refers to the primary function of the trademark – to distinguish the goods or services of one particular enterprise from the goods or services of another enterprise. The distinctiveness feature of the trademark is associated with the perception of consumers. The mark is distinctive in relation to the goods to which it is assigned when

¹¹³ Note: the same two requirements are incorporated into Article 6quinquies of the Paris Convention

consumers, i. e. those, to whom the mark is addressed, perceive it as indication of particular source.¹¹⁴

The second requirement provides that trademarks which are likely to deceive consumers as to the number of their characteristics, such as for instance nature, quality, geographical origin, do not qualify for registration. “The test here is for intrinsic deception, inherent in the trademark itself when associated with the goods for which it is proposed.”¹¹⁵ Trademark laws deny registration of marks which are contrary to public policy or morality.

On the face of it, trademark registration procedures in European countries are almost identical: the applicant submits the application form and supporting documentation, the respective authority reviews it and carries out trademark check procedure, then an opposition procedure takes place (if applicable) and after that the respective authority either registers the trademark or denies registration. However, upon more detailed examination, it turns out that one of the main divergences in trademark registration in Europe is that registration authorities apply different approaches as to the trademarks examination. In general, three kinds of examination procedure can be distinguished.

The first one is implemented in the United Kingdom, Spain, Portugal and Northern European countries. It provides for examination by the authorities of absolute grounds for refusal, that is, whether the trademark is sufficiently distinctive, not deceptive and not contrary to public policy or morality, and relative grounds for refusal, that is, whether there is a similar or identical

¹¹⁴ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 72

¹¹⁵ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 76

trademark that was registered before, and such a system also provides for the opposition procedure.¹¹⁶

The second approach, which was applied in France and Switzerland before the adoption of new laws, contemplates that respective authorities examine trademarks only as to the absolute grounds for refusal and no opposition procedure is provided. The owner of the mark which was registered before shall upon its own initiative file cancellation or infringement action.¹¹⁷

The third system which is a compromise between the two mentioned above is implemented in Germany. It provides for the check on the basis of absolute grounds by the respective authority and administrative opposition procedure where the owner of the prior trademark can oppose to the registration of the similar or identical trademark.¹¹⁸

In every country in case of successful application and registration of trademark, the trademark owner acquires exclusive rights starting from the date of registration. However, priority of the rights arises from the date of filing.

Another possibility to acquire exclusive rights as to the trademark is the Community Trademark registration.¹¹⁹ This option provides for trademark protection in all Member States of European Union by filing a single application with the Office for Harmonization in the Internal Market (OHIM) which is regarded not as a bundle of national trademarks but as a single one.¹²⁰ OHIM examines trademarks applications only as to absolute grounds for refusal (such as

¹¹⁶ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 76

¹¹⁷ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 76

¹¹⁸ WIPO Intellectual Property Handbook: Policy, Law and Use (WIPO Publication N 489 (E), 2nd edition, WIPO 2004) 81

¹¹⁹ was introduced by Council Regulation (EC) 40/94 on the Community trademark [1993] OJ L 011 (CTM Regulation)

¹²⁰ Fact Sheets Community Trade Mark

<<http://www.inta.org/TrademarkBasics/FactSheets/Pages/CommunityTradeMarkFactSheet.aspx>> accessed 26 March 2015

distinctiveness, non-deceptiveness, whether the mark is not contrary to public policy and morality) while relative grounds could be checked in course of opposition procedure.¹²¹

CTM system rests on three main principles. The first one is the unitary feature of CTM system which provides for registration of one trademark valid in each Member State. The second principle is autonomy of CTMs. It means that CTM system is governed by its own set of rules and regulations (mainly, CTM Regulation, all other legislative acts based on CTM Regulation and principles of Community law) and which are independent from national legislations.¹²² National law can be applicable only provided that CTM legislation contains references to it.¹²³ The autonomy principle also implies that OHIM or the CTM Court are not bound by decisions of national courts with regard to similar or identical trademarks.¹²⁴ Another core principle is coexistence of the CTM system and national trademarks registrations. The CTM system neither takes precedence over national trademark systems, nor replaces them. The CTM system and national trademark systems exist in parallel and their application is a matter of choice of each applicant.¹²⁵

The main advantage of this system is that it confers the possibility of protection within the European Union at a much lower cost than separate national applications in each and every Member State. Additionally, the validity of registration expands to new Member States in case of EU enlargement. Moreover, the use of the trademark is not a requirement for registration or renewal and, what is more important, good faith use of the trademark in a single Member State is sufficient for the validity of the registration all over European Union. This last feature of the

¹²¹ Catherine Seville, *EU Intellectual Property Law and Policy* (Edward Elgar Publishing Limited 2009) 233

¹²² Charles Gielen, Verena von Bomhard, *Concise European Trademark and Design Law* (Kluwer Law International 2011) 5

¹²³ For instance, articles 8, 16, 53 of the CTM Regulation

¹²⁴ Case T-32/00 *Messe Munchen GmbH v OHIM* [2000] ECR II-03829

¹²⁵ Charles Gielen, Verena von Bomhard, *Concise European Trademark and Design Law* (Kluwer Law International 2011) 6

CTM system has its pros and cons at the same time, as while it extends the level of protection granted to CTM holders to those Member States where the trademark is not even used, it also creates obstacles to businesses willing to use a similar mark in the place of their business.

The main disadvantage of the CTM system is that a prior national registration in any Member State can prevent CTM registration in its entirety even provided that the CTM holder is not planning to use the trademark in that Member State.¹²⁶ At the same time, upon refusal to register CTM application, it can be converted into national application with priority.

From a practical point of view a company should carefully consider all advantages and disadvantages of both systems before applying for trademark registration. Despite the above mentioned benefits of CTM system, in cases when a business is planning to use its trademark within the territory of only one Member State or limited number of Member States, it might be cheaper and easier to proceed with registration on the national level. Many businesses also keep national registrations as a back-up in order not to put all their “eggs in one basket”.¹²⁷ Additionally such a maneuver creates a possibility for forum-shopping in case of trademark infringements what is an important benefit given the fact that courts in different jurisdictions tend to resolve disputes in different ways.

3.2 Set of available remedies

In Europe only upon registration of trademark does the trademark owner acquire exclusive right to use the trademark in trade and prevent any third parties from using its trademark. In particular, in case of trademark infringement proceedings the trademark owner has at its

¹²⁶ Fact Sheets Community Trade Mark
<<http://www.inta.org/TrademarkBasics/FactSheets/Pages/CommunityTradeMarkFactSheet.aspx>> accessed 26 March 2015

¹²⁷ Community Trade Marks are cheaper than ever – so it is still worth applying for national protection? <https://www.ashurst.com/publication-item.aspx?id_Content=4572> accessed 26 March 2015

disposal such legal tools as claims for cease-and-desist (i. e. injunctive relief) and monetary compensation (damages).

As trademark infringement may cause irreparable harm not only to the financial profits of the trademark owner, but to its reputation and the value of its brand, the ability to promptly stop the infringing activity with the help of injunctive relief is therefore considered as a powerful mechanism in the course of trademark infringement proceedings. European law requires Member States to implement interim injunctions in national legislations leaving it for the Member States to decide on the exact forms and rules of such legal devices.¹²⁸

In trademark infringement cases, the most common form of injunctive relief is an interim injunction, i. e. the order to stop infringing activity while the claim regarding the trademark infringement is considered by the court. Interim injunctions are especially powerful in the case of CTM infringement as such injunction has an EU-wide effect, ceasing the infringement in all Member States.¹²⁹ An interim relief order may also provide for seizure of infringing goods or other measures aimed at preserving the status quo of the trademark owner while the trademark infringement proceedings are pending.¹³⁰

In order to obtain an interim relief the trademark owner has to demonstrate that he has at least an arguable case. This being said, the notion of arguable case varies across European Union. For instance, in the United Kingdom the trademark owner has to show that activities of the defendant will cause irreparable harm which cannot be adequately compensated by damages.¹³¹

¹²⁸ Through Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (Enforcement Directive)

¹²⁹ Florian Traub, Court of Justice: CTM injunctions have EU-wide effect <<http://trademarks.thomsonreuters.com/article/court-justice-ctm-injunctions-have-eu-wide-effect>> accessed 26 March 2015

¹³⁰ Sarah Wright, Kaisa Matilla, Overview of interim relief in trademark actions across Europe <http://www.olswang.com/media/48402619/wtr_overview_of_interim_relief_in_trademark_actions_across_europe_feb-march2015.pdf> accessed 26 March 2015

¹³¹ *American Cyanamid Co v Ethicon Ltd* [1975] AC 396

The court will also try to determine whether either party would face an unjust detriment resulting from such injunction being granted or refused. German courts apply a similar approach. In France courts grant interim injunctions if they are satisfied that it is plausible that the infringing activity amounts to trademark infringement.¹³² Such a test is likely to be met in a case of counterfeit goods or identical reproduction of the trademark.¹³³

Interim relief is a temporary measure which is granted only for the time of the court's consideration of the merits of the trademark infringement case. Nevertheless, it is considered as an effective remedy at the disposal of trademark owners as it provides for the possibility to cease the destruction of trademark owner's reputation and goodwill.

Another remedy which can be sought by the trademark owner is monetary damages. In the EU the issue of damages calculation is addressed in the Enforcement Directive. Article 13 explicitly provides that while assessing damages courts should take into account all appropriate aspects, such as the negative economic consequences, including lost profits, which the injured party has suffered, any unfair profits made by the infringer and, in appropriate cases, elements other than economic factors, such as the moral prejudice caused to the right holder by the infringement; or as an alternative, courts may set damages as a lump sum on the basis of the amount of royalties or fees which would have been due if the infringer had requested authorization to use the trademark. Thus, there are three main alternatives for calculating damages: lost profits, infringer's profits or reasonable royalty. Punitive damages are not awarded.¹³⁴

¹³² Intellectual Property Code 1992, art. L716-6

¹³³ Sarah Wright, Kaisa Matilla, Overview of interim relief in trademark actions across Europe <http://www.olswang.com/media/48402619/wtr_overview_of_interim_relief_in_trademark_actions_across_europe_feb-march2015.pdf> accessed 26 March 2015

¹³⁴ Trademark protection in Europe <http://www.bardehle.com/uploads/files/Trademark_Protection.pdf> accessed 26 March 2015

3.3 Interplay between trademark and unfair competition protection

As it was stated earlier, in the EU trademark law protection is a stronger instrument in the hands of the trademark owner comparing to unfair competition tools. Therefore, in practice businesses tend to claim trademark infringement as a principal argument and invoke unfair competition protection only as a complementary mechanism. Moreover, there is a tendency in court practice to “open the door” to unfair competition defense not in course of separate proceedings, but within the limits of trade mark infringement cases. *L’Oréal v. Bellure* case¹³⁵ could serve as an illustration of such tendency.

In that case the court actually expanded the notion of trademark functions and granted trademark protection to those functions which originally should fall under unfair competition rules.¹³⁶ In particular, the court stated that the trademark owner is entitled to acquire protection as to his trademark’s functions, which include “not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular ... those of communication, investment or advertising.”¹³⁷ Moreover, as to the part of the case dealing with comparative advertising the court came to the conclusion that presentation of goods as an imitation bearing the trademark is contrary to fair competition. As an advantage achieved with the help of such comparative advertising results from unfair competition it shall also be regarded as trademark infringement.¹³⁸

¹³⁵ Case C-487/07, *L’Oréal SA v. Bellure NV* [2009] E. T. M. R. 55

¹³⁶ Irina Pak, “The expansion of trademark rights in Europe” <<http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=1026&context=ipt>> accessed 25 March 2015

¹³⁷ Case C-487/07, *L’Oréal SA v. Bellure NV* [2009] E. T. M. R. 55 para 58

¹³⁸ Verena von Bomhard, Michael Hawkins, “EU: smells like trade mark trouble – ECJ decision on unfair advantage infringement and comparative advertising in “perfume-alike” case” <<http://www.hoganlovells.com/files/Publication/fa5d04cd-1726-4642-be45-95d95d49eadc/Presentation/PublicationAttachment/f267244a-df7e-4e15-a066-9a81127da3de/resD71A41879B75498CAC4401D6ED7D1D03.pdf>> accessed 25 March 2015

Another example of trademark and unfair competition interplay is the *Arsenal* case.¹³⁹ In that case the defendant was selling merchandise bearing the claimant's sign. His stalls provided a notice that there was no relationship with the Arsenal Football Club. The claimant invoked both, trademark infringement and unfair competition law (claim of passing off) defenses. Although in course of the proceedings the High Court of Justice came to the conclusion that the claimant failed to reach the burden of proof necessary for passing off claim, the trademark infringement strategy appeared to be successful as the European Court of Justice stated that the claimant was entitled to trademark protection even provided that the defendant's sign was perceived only as a badge of support or loyalty to the Club.

Thus, the above-mentioned cases revealed that due to the fact that trademark protection is more effective and stronger companies prefer to raise trademark infringement arguments as the main defense strategy and support them with unfair competition law tools of protection. Moreover, courts tend to consider unfair competition mechanisms of protection within the limits of trademark law remedies.

¹³⁹ Case C-206/01, *Arsenal Football Club Plc v. Reed* [2002] E. T. M. R. 82

Chapter 4: Trademark protection and unfair competition: current situation in Ukraine

4.1 Legal framework

Trademark protection in Ukraine is primarily regulated by the provisions of Civil Code of Ukraine¹⁴⁰ and Law of Ukraine “On Protection of Rights to Marks for Goods and Services”¹⁴¹ (“Trademark Act”) where it is stipulated that a trademark owner acquires a set of exclusive rights as to his trademark once trademark registration is obtained. Thus, Ukraine as the majority of other European states is considered as a “first-to-file” jurisdiction.

Moreover, Ukraine is a party to the Paris Convention, the Madrid Agreement concerning the International Registration of Marks of 1891, the Protocol relating to the Madrid Agreement of 1989 and the TRIPs Agreement, and provisions of all these international treaties form a part of Ukrainian national legislation.

Issues of unfair competition are addressed in a separate legislative act, the Law of Ukraine on Protection against Unfair Competition (“Unfair Competition Act”) which prohibits such practices as unauthorized use of trademarks, copying of appearance of the product, and unlawful comparative advertising and provides for sanctions for such practices.¹⁴² In particular, the Unfair Competition Act envisages a fine for the above-mentioned behavior in the amount of up to 5 per cent of the infringer’s income gained for the preceding financial year and seizure of goods illegally bearing the trademark.

¹⁴⁰ Civil Code of Ukraine dated January 16, 2003, No. 435-IV;

¹⁴¹ Law of Ukraine “On Protection of Rights to Marks for Goods and Services”, dated December 15, 1993, No. 3689-XII

¹⁴² Oleksandr Mamunya, Andrey Nikolaenko, “Intellectual Property & Antitrust 2015; Chapter Ukraine” <https://lbrcdn.net/files/gtdt/pdfs/books/17/editions/329/329_63.pdf> accessed 26 March 2015; INTA Unfair Competition Reports, Chapter Ukraine <<http://www.inta.org/Advocacy/Documents/INTAUnfairCompetitionEurope2007.pdf>> accessed 26 March 2015

4.2 Prerequisites for trademark protection and available remedies

The system of trademark protection and requirements of protectability in Ukraine in general resemble the European model. In order to get protection, a person shall apply for registration to the local PTO which will check the application in relation to both, absolute and relative grounds for refusal.¹⁴³ Opposition procedure by third parties is also available provided it is initiated not later than five days prior to the issuance of decision on trademark application. However, in practice opposition is not frequently used as an instrument of senior trademark protection because trademark applications register is closed and this information is not available for the public.¹⁴⁴

With the execution of the EU-Ukraine Association Agreement¹⁴⁵ Ukraine undertook to bring its legislation into compliance with European standards. This concerns legislation in the field of trademarks as well. In particular, Ukraine is obliged to eliminate the above-mentioned inconsistencies with the functioning of the opposition procedure by establishing publicly available database of trademark applications. This being said, the opposition procedure should be established in accordance with the standard applied in relation to CTM. Another novelty to be introduced is the extension of exceptions to rights of trademark owners. The owner of the registered trademark shall not prohibit the use of his trademark by third parties provided that such use is necessary to demonstrate the intended purpose of goods or services and such third

¹⁴³ The International Comparative Legal Guide to: Trade Marks 2014, Chapter Ukraine <http://www.kisilandpartners.com/content/files/tm14_chapter-38_ukraine.pdf> accessed 26 March 2015

¹⁴⁴International Opposition Guide, Chapter Ukraine <http://arzinger.ua/files/file/file_collection/ru/International%20Opposition%20Guide--Ukraine.pdf> accessed 26 March 2015

¹⁴⁵Ukraine-European Union Association Agreement, 21 March 2014, 27 June 2014 <http://eeas.europa.eu/ukraine/assoagreement/assoagreement-2013_en.htm> accessed 26 March 2015

party uses the trademark in compliance with honest commercial practices. So far Ukrainian legislation is silent as to this issue.¹⁴⁶

Distinctiveness and non-deceptiveness test is analogous to the one implemented in Europe. The mark shall be associated with a particular source in the eyes of consumers and shall not deceive consumers as to its characteristics. Moreover, the registration of the trademark could be denied also on the basis of relative grounds, i. e. of the trademark is identical or confusingly similar to the senior trademark for identical or similar goods or services. Ukrainian legislation provides for possibility for the trademark applicant to overcome absolute of relative objections. Within two months from the receipt of provisional refusal from the PTO, the applicant is entitled to submit a motivated response proving that a mark acquired distinctiveness by way of its extensive use or it is not identical or confusingly similar to the opposed mark. Such arguments would be taken into account by the PTO while rendering the final decision on trademark's registration.¹⁴⁷

Upon successful registration of the trademark, the trademark holder obtains a pool of exclusive rights as to his trademark and is entitled to effectuate protection mechanism in case of trademark infringement. In particular, a trademark owner can initiate a court action against the infringer before the civil or commercial court. In the course of court proceedings the trademark owner can seek ad interim measures such as the termination of the infringement and reimbursement of damages incurred. The trademark owner is also entitled to request the removal of his

¹⁴⁶Julia Semeni, "EU-Ukraine Association Agreement: the Trademark Implications" <http://www.asterslaw.com/news_media/publications/5839/> accessed 26 March 2015; Oleg Klymchuk, "Geograficheskie simvoly" [Geographical indications] <http://www.sk.ua/sites/default/files/up_20_21_36-ebook.pdf> accessed 26 March 2015; Oleg Klymchuk, "Praktika zashchity brendov: itogi 2014 goda" [Brands protection practice: outcomes of 2014] <http://www.sk.ua/sites/default/files/sayenko_kharenko1.pdf> accessed 26 March 2015

¹⁴⁷ The International Comparative Legal Guide to: Trade Marks 2014, Chapter Ukraine <http://www.kisilandpartners.com/content/files/tm14_chapter-38_ukraine.pdf> accessed 26 March 2015

trademark from the goods or packaging of the infringer or destroy the reproduction of his trademark.¹⁴⁸

In practice the trademark holders usually claim only the termination of the unlawful use of their trademark as the reimbursement of damages appears to be difficult to prove and hard to obtain.¹⁴⁹ The issue of damages recovery resulting from trademark infringement is not sufficiently regulated by Ukrainian legislation. Currently the Trademark Act declares in general that the affected trademark owner is entitled to damages. This being said, the scope and the procedure of damages reimbursement is to be determined on the basis of the general provisions of Civil and Commercial Codes of Ukraine. Under those legislative acts the trademark owner is entitled to seek reimbursement of actual damages, lost profit and moral damages (goodwill).¹⁵⁰ It is also worth mentioning that damages can be claimed only provided the trademark owner proves that his trademark was unlawfully used, he suffered the damage, there is a link between the infringement and the damage and there is a fault of the infringing party.

The recovery of lost profit in the course of trademark infringement proceedings is based on the general provision of civil law stating that if the infringer gains profit, the amount of lost profit must be not less than such profit. There is no unified approach as to the calculation of the lost profit and courts developed different formulas to assess the amount of lost profit. Thus, the High Commercial Court of Ukraine recently stated that while calculating lost profit, courts have

¹⁴⁸ The International Comparative Legal Guide to: Trade Marks 2014, Chapter Ukraine <http://www.kisilandpartners.com/content/files/tm14_chapter-38_ukraine.pdf> accessed 26 March 2015

¹⁴⁹Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends” <<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

¹⁵⁰Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends” <<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

to take into account such factors as retail price of genuine goods, price for the use of the particular trademark and other factors describing the profit of the affected trademark owner.¹⁵¹

Following these recommendations the court in *NIKE International Ltd. v. UA Private Entrepreneur* calculated lost profit multiplying the amount of confiscated counterfeit goods by the retail price for similar genuine goods. Another formula developed by Ukrainian courts is calculation of lost profit on the basis of the reasonable value of the license the trademark infringer should have paid to the trademark owner. For instance, in *Upstar Continental Ukraine LLC v. UA Private Entrepreneur* case the court, while assessing the amount of lost profit, took into account the value of trademark license used in license agreements between the affected trademark owner and third parties.¹⁵²

In order to recover actual damages the trademark owner shall submit evidence of reasonable expenses incurred by him in order to redress his infringed trademark rights provided that such expenses were unavoidable.¹⁵³ Moral damages from the practical point of view are easy to prove and recover. However, as there is no formula for their calculation and their amount is determined solely by the discretion of the courts, they are usually lower than lost profits or actual damages.

Up to date, the relevant Ukrainian legislation does not provide for statutory damages in case of trademark infringements. However, there is a legislative initiative to introduce amendments to

¹⁵¹Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends”

<<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

¹⁵² Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends”

<<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

¹⁵³Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends”

<<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

the Trademark Act in order to envisage recovery of statutory damages instead of actual damages. The draft law will stipulate the limits within which the amount of damages has to be calculated and the factors to be taken into account while deciding on the amount of damages.¹⁵⁴ In my opinion the introduction of such amendments will have a positive effect on trademark enforcement procedure as it would increase legal certainty and predictability in relation to the damages reimbursement.

4.3 Unfair Competition Law mechanisms of protection

Due to the fact that judicial enforcement is quite complex and expensive in Ukraine, trademark holders tend to enforce their trademark rights with the help of remedies available under unfair competition law, in particular, in course of administrative procedures referring their claims to the Antimonopoly Committee of Ukraine (“AMCU”) which is a governmental body dealing with the cases of unfair competition.¹⁵⁵ Under AMCU administrative procedure an applicant can submit the application indicating his claims and decision which is expected from AMCU as well as arguments supporting his claims within six months from the moment the applicant has learned or should have learned about the infringement. AMCU reviews the application within 60 days with the possibility of extension if there is a need to request and review additional documents. Upon the consideration of the application AMCU is entitled to qualify the acts of the infringer as unfair competition. As a matter of fact, AMCU is the only authority in Ukraine which has the right to determine which actions fall within the scope of unfair competition practices. The courts, however, are authorized to invalidate such a decision, although the current practice reveals that in around 90 per cent of cases the decisions of AMCU

¹⁵⁴Oleg Klymchuk “Ukraine: Seeking Damages for Trademark Infringement in Ukraine: Quirks and Trends”

<<http://www.mondaq.com/x/321022/Trademark/Seeking+Damages+For+Trademark+Infringement+in+Ukraine+Quirks+and+Trends>> accessed 26 March 2015

¹⁵⁵ Oleksandr Mamunya, Andrey Nikolaenko, “Intellectual Property & Antitrust 2015; Chapter Ukraine” <https://lbrcdn.net/files/gtdt/pdfs/books/17/editions/329/329_63.pdf> accessed 26 March 2015

are affirmed by the courts.¹⁵⁶ In the arsenal of AMCU there are also such remedies as seizure of goods bearing the trademark, official refutation of untrue information and imposition of fines of up to 5 per cent of the income earned during the preceding financial year.¹⁵⁷

This being said, unlike in the majority of other European countries, in Ukraine remedies available under unfair competition are considered by trademark owners as more efficient, effective and easily enforceable comparing to intellectual property remedies. The following high-profile case could serve as an illustration of the later statement. In 2014 Opel Eisenach GmbH and its official and exclusive distributor of Opel cars in Ukraine had submitted applications to AMCU initiating unfair competition investigations against Ukrainian company TECHCENTER G. M. which illegally used Opel trademark in its promotional materials, in course of advertising and in its logo. AMCU came to the conclusion that actions of the Ukrainian company shall be qualified as unfair competition, namely, use of the applicants' trademark without the consent of the trademark owner who had the exclusive right to use the trademark within the territory of Ukraine. AMCU pointed out that the actions of the Ukrainian company could lead to the confusion as to the source of the goods offered.¹⁵⁸ As a result AMCU imposed a fine in the amount of UAH 10 000 (approximately Euro 1000 according to the then affective exchange rate) subject to mitigating circumstances such as termination of infringement and cooperation during investigation proceedings. This case shows that in

¹⁵⁶ Dmitry Taranyk, Dariya Valiavska "Protection of IP Rights against Unfair Competition with the assistance of the AMCU" <http://www.sk.ua/sites/default/files/unfair_competition_final_0.pdf> accessed 26 March 2015

¹⁵⁷ Dmitry Taranyk, Dariya Valiavska "Protection of IP Rights against Unfair Competition with the assistance of the AMCU" <http://www.sk.ua/sites/default/files/unfair_competition_final_0.pdf> accessed 26 March 2015

¹⁵⁸ Oleg Klymchuk, "Praktika zashchity brendov: itogi 2014 goda" [Brands protection practice: outcomes of 2014] <http://www.sk.ua/sites/default/files/sayenko_kharenko1.pdf> accessed 26 March 2015; Brands Update. October 2014 <http://www.sk.ua/news/2581>> accessed 26 March 2015

Ukrainian realities trademark rights protection within administrative AMCU procedure could be more effective and efficient comparing to the trademark protection in courts under the mechanisms provided by trademark law. Moreover, the recourse to AMCU instead of commercial courts in this particular case was made intentionally because of the fact that Ukrainian courts do not consider the use of trademark without the license in advertising materials or on the web-site in order to identify the goods bearing the trademark as an infringement of trademark rights of the trademark owner.¹⁵⁹

Consequently, in Ukraine there are two protection mechanisms which could be applied by trademark owners: judicial remedies under trademark law and administrative recourse under unfair competition law, whereupon unfair competition law protection could not be regarded as additional or supplementary, but as self-sufficient system of protection existing in parallel with the remedies offered by trademark law.¹⁶⁰ And if in the majority of countries trademark law is considered as a stronger way of protection and unfair competition remedies are used as complementary, in Ukraine the reverse is true as businesses prefer to resort to unfair competition means of protection due to their effectiveness and efficiency. This happens because protection under trademark law could be generally enforced only in Ukrainian courts, where a substantial level of bureaucracy and corruption hinder the enforcement process, while administrative procedure in AMCU offers relatively speedy, cost effective and more legally efficient mechanism of protection.

¹⁵⁹ For instance, decision of the Commercial Court in Kyiv city [28 January 2014] No 910/15579/13

¹⁶⁰ INTA Unfair Competition Reports, Chapter Ukraine <<http://www.inta.org/Advocacy/Documents/INTAUnfairCompetitionEurope2007.pdf>> accessed 26 March 2015

Conclusion

This paper firstly has examined the issue of correlation between unfair competition and trademark law. It has been shown that despite the fact that these two fields of law pursue different goals (i.e. unfair competition law is aimed at combating unfair acts of competitors and trademark law is focused on protection of property rights of a trademark owner) they apply similar legal categories, have much in common and, therefore, are strongly connected. Therefore, the mechanisms of protection available under trademark law can be used by companies not only to ensure their proprietary rights, but also in order to protect their goodwill from the actions of unfair competitors.

Upon reaching this conclusion the paper further has focused on the analysis of the trademark law mechanisms of protection which are implemented in different legal systems: in the US and EU. In particular, the thesis has analyzed requirements which shall be met in order to get protection and the pool of legal remedies available under each legal system.

It has been shown that in the US the prior use requirement is of crucial importance while acquiring trademark law protection on the state and federal law levels. A trademark can be protected under trademark law only provided it is used to designate the origin of particular goods or services or consumers associate it with a particular source. Such prior use requirement to some extent serves as a guarantee that a competitor will not be able to free ride on a goodwill and reputation of a trademark owner. The paper further has analyzed the remedies provided by the US legal system which companies could seek in order to protect themselves from unfair competitors and has emphasized that from the practical point of view unfair competition remedies could be invoked by trademark owners in course of trademark infringement proceedings as a supplementary mechanism of protection. Thus, trademark owners are entitled

to use the variety of legal tools under both trademark law and unfair competition law and in fact they do so in practice.

Further the paper has examined the EU approach as to the trademark law mechanisms of protection and the interplay between unfair competition and trademark law remedies. It has been demonstrated that the European approach as to the trademark protection differs significantly from the US pattern. In particular, European countries apply first-come first-serve approach and a trademark owner can acquire exclusive rights as to his trademark only provided such trademark is properly registered. The paper also has analyzed the ways of interaction between unfair competition and trademark law on the stage of enforcement in Europe. It has been shown that due to the fact that in the EU trademark protection is regarded as a more effective and stronger tool companies tend to raise trademark infringement arguments as the main defense strategy and support them with unfair competition law mechanisms of protection. Moreover, courts tend to consider unfair competition mechanisms of protection within the limits of trademark law remedies.

Finally, the thesis has outlined that the system of trademark protection and requirements of protectability in Ukraine in general resemble the European model. Upon successful registration of a trademark, a trademark holder obtains a pool of exclusive rights as to his trademark and is entitled to effectuate protection mechanism in case of trademark infringement: a trademark owner can seek termination of the infringement and damages. However, due to certain shortcomings in the system of trademark law protection (i. e., legal uncertainty as to the damage reimbursement mechanism) and law enforcement in general (i. e., substantial level of bureaucracy and corruption in courts), in Ukraine trademark owners resort to unfair competition means of protection which are more effective and efficient. Thus, the Ukrainian approach reveals that in cases when for certain reasons trademark law cannot provide companies with

necessary level of protection, unfair competition law can step in and cure the deficiency of the protection mechanism.

To sum up, there is no urgent need for introduction of fundamental changes into Ukrainian trademark legislation. In general it corresponds to the international and European standards of trademark protection. However, certain measures should be taken in two aspects. First, Ukrainian legislation dealing with opposition procedure shall be amended and publicly available database of trademark applications shall be established as a part of Ukrainian obligations under the EU-Ukraine Association Agreement. Second, anti-corruption and judicial system reforms shall be carried out. Changes in the court system and the way court proceedings are held will positively affect the enforcement of trademark owners' rights and thus, will increase the efficiency of trademark law protection mechanisms. As a result, Ukrainian companies will be able to combat unfair acts of competitors and protect their goodwill using the remedies available under trademark law.

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