

# Trademark infringement: Any room for the parody defense in Romania?



By Anca Musat,  
Senior Associate,  
Musat & Asociatii

In Bucharest, as you walk down Victoriei Boulevard towards Unirii Square you may see a giant outdoor advertisement for Prigat soft drinks posted on a building and showing a tennis player weak with exhaustion, just like the crocodile on his t-shirt with its tongue hanging out, while the Prigat can is displayed centrally with the suggestion: Prigat - more fruits, more energy. In line with this image, another ad may be found on the Internet, this time displaying Puma in the same fashion, after the cat had made its best efforts in a basketball game, and attaching the same logo to the Prigat trademark. It is hard to believe that the famous French tennis player Rene Lacoste, nicknamed "the Alligator" for his tenacious behavior on the court ever imagined the crocodile, symbol of his image, in such a posture as described above.

The ads provide a parody of the trademarks used by two of the most famous sportswear manufacturers, possibly inducing the message that when these two powerful sport icons are ready to resign, Prigat is the perfect solution.

Of course, Prigat is attempting to coop that large public which is into sports and confident of the high quality of Lacoste and Puma sportswear.

Taking into account the significant investments made by Lacoste and Puma in advertising their trademarks, it is reasonable to conclude that Prigat is picking the proverbial cherry from the top of the their cake.

How can this be stopped?

## ACTIONS AGAINST TRADEMARK DILUTION

In the U.S., the most convenient option would be an action against trademark dilution which, as opposed to trademark infringement, does not require a likelihood of confusion on the part of consumers, nor for the trademarks in dispute to be actually or potentially competing in the marketplace.

The Federal Trademark Dilution Act (FTDA) defines trademark dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services," consisting of either blurring or tarnishment acts.

Dilution by blurring may occur where the famous trademark is used or modified by someone other than its true owner in such a way as to threaten its ability to serve as a unique identifier of the owner's products or services (Deere & Co v MTD Products Inc. 41 F.3d 39 C.A. 2 (N.Y.) 1994.)

Tarnishment generally arises where a famous or distinctive trademark is linked by someone other than its true holder to products of shoddy quality or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's products, thereby diminishing the trademark's reputation and commercial value (See, Deere.)

In the Prigat example above, the ad undoubtedly affects the prestige already enjoyed by the Puma and Lacoste trademarks in the consumers' mind, displaying them in a manner which obviously conflicts with the very message that they seek to communicate.

However, the U.S. model essentially provides for two defenses against dilution actions: freedom of speech, guaranteed by the 1st Amendment of the U.S. Constitution, and the parody defense.

The doctrine considers that the 1st Amendment should be used first. In *NYT v. Sullivan* (376 U.S. 254, 84 S. Ct. 710 U.S. Ala. 1964, at pp.

724-730), the U.S. Supreme Court established that it can consider the 1st Amendment even if not argued. The controversial issue is whether the 1st Amendment defense covers commercial speech.

Although during the early years, the courts consistently held that the freedom of expression covers all types of speech regardless of its commercial or non-commercial nature, in *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council* (425 U.S. 748, 96 S. Ct. 1817 U.S. Va. 1976, at pp. 1825-1831) it was decided that there must be an intermediate level of protection.

Thus, commercials can be regarded as pure communications and implicitly protected by the 1st Amendment only if intertwined with non-commercial communication (*Riley v. National Federation of Blind, Inc.*, 487 U.S. 781 1988, at pp. 795-801.)

Moreover, commercial speech may be protected equal to non-commercial speech if it does not mislead the consumers as to its source and sponsorship (*44 Liquormart, Inc. v. Rhode Island*, 517 U.S. 484, 116 S. Ct. 1495 U.S.R.I. 1996, at pp. 1504-1507.)

Therefore, as a rule of thumb, 1st Amendment speech trumps trademark dilution but only to the extent that the message communicated to consumers is not deceptive, meaning that the source is identifiable by consumers and there is a lack of association.

## PARODY EXCEPTIONS

The Lanham Act provides for parody exceptions, as mentioned, provided that the parody satisfies certain conditions established by the case law.

First, the work should not be considered distasteful. In *Coca-Cola v. Gemini Rising* (346 F. Supp. 1183 D.C.N.Y. 1972, at pp. 1189) the mere association of Coca-Cola with cocaine (as a result of a poster in the colors of Coca-Cola and displaying the message "Enjoy Cocaine") was held to be distasteful and tarnishing the Coca-Cola trademark. Secondly,

the parody must comment on the trademark itself and not only express an independent point of view or political message, or be used as a tool for attracting the readers, where the absence of the trademark would not hinder the communication of the message (*Mutual of Omaha v. Novak*, 648 F. Supp. 905, 909 D.Neb.1986.)

Finally, the parody must not create confusion in the consumers' mind or produce a permanent association with the trademark, as the court held in *Dallas Cowboys Cheerleaders v. Pussycat Cinema* (604 F.2d 200 C.A.N.Y. 1979, at 205) that it was impossible to dissociate pornographic movie from the image of cheerleaders.

## INJUNCTIVE RELIEF

If the trademark owner can overcoming the 1st Amendment and parody defenses, it may obtain an injunction in so far as it can prove a risk of trademark dilution.

Whereas the courts first considered the mere likelihood of dilution (by means of blurring or tarnishment) as sufficient for the purpose of obtaining an injunctive relief under the FTDA, in the wake of *Moseley v. Victoria's Secret* (537 U.S. 418, 2003), the owner of a famous mark must now show that there is an actual dilution risk, i.e. the defendant's use actually lessens the mark's capacity to identify and distinguish goods or services sold in the trademark owner's stores or advertised in its catalogues.

Based on the argument that *Victoria's Secret* proved only the famous character of its trademark without expressing any opinion concerning the actual impact of the name *Victor's Little Secret* (used by *Moseley* for its products) on the strength of the *Victoria's Secret* mark, the court eventually ruled for *Moseley*.

Therefore, it is reasonable to conclude that within the new framework set up by the U.S. Supreme Court in *Moseley v. Victoria's Secret*, Puma or Lacoste would find it difficult to show an actual

dilution as it is hardly conceivable that Prigat ads are indeed susceptible of reducing those famous marks' capacity to identify their goods.

## THE ROMANIAN APPROACH

In Romania, the approach would be to file an action against trademark infringement (i.e. counterfeiting) under law no. 84/1998 (Trademark Law).

An action against unfair competition would not be possible in this specific case due to the fact that Prigat, a soft drinks producer, is not competing with either Puma or Lacoste.

In Romania the concept of dilution is practically nonexistent and the harmed trademark owner is limited exclusively to trademark infringement actions.

However, the trademark infringement concept in Romania embodies both scenarios when:

- the alleged infringer uses an identical/similar mark for identical/similar products, thus creating confusion among consumers as to the source or sponsorship of the products, and
- there is use in the course of trade (without the owner's consent) of any sign which is identical with or similar to a mark in relation to goods or services, which are not similar to those for which the mark is registered, where the latter has a reputation in Romania and where use of that sign without due cause could take advantage of the distinctive character or reputation of the mark, or where such use would cause prejudice to the owner of the mark.

The legal steps against trademark infringement are essentially the same as for dilution: the owner of a famous trademark may seek redress in court by filing an action against counterfeiting, asking the court to preclude any future use. The owner may also obtain a temporary injunction until a final decision is reached by the court, and it may obtain damages for any injury suffered as a result of the wrongful "diluting" act.

What differs substantially is the kind of action triggering different requirements for a successful case. The action against counterfeiting is mostly a civil action for tort (under

the Trademark Law, the acts of trademark counterfeit may also trigger criminal liability), which is admissible only if the following conditions are met: (i) an illegal act, (ii) an injury, (iii) a link between the illegal act and the injury.

The illegal act in this case would obviously be the commercial use of a sign similar to a famous mark without the owner's consent for the purpose of taking advantage of the distinctiveness and reputation of that mark, causing an injury to the economic value of the trademarks in the marketplace.

The burden of proof with respect to the legitimate use of the trademark is on the alleged infringer. The injury may be either a reduction in sales or a harm resulting from the trademark's reputation being affected.

In Romania, the court would normally not require for establishing an actionable dilution that the use of a junior mark necessarily reduces the capacity of a previous famous trademark to identify the goods of its owner.

As the Trademark Law provides, a potential undue advantage resulting from the use of a famous and distinctive trademark would typically meet the requirements for the above purpose, regardless of whether the power of the famous trademark to identify its products is actually diminished. Moreover, there is no explicit parody exemption in Romania and, although freedom of expression is a right acknowledged by the Romanian Constitution, the courts have very rarely and inconclusively dealt with the applicability of such right within the context of trademark infringements.

However, the Trademark Law prohibits diluting attempts only when intended for commercial purposes, as the law unambiguously requires that the undue advantage or the injury to business reputation be caused in the course of trade.

It follows from the above that, unlike in the U.S. where Lacoste and Puma would need to show that the mental association between Prigat and the two famous trademarks are actually lessening the capacity of the trademarks to identify and distinguish their products, in Romania, Prigat has hardly any defense due to the more flexible test laid down by the Trademark Law for finding a trademark infringement. ■

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(iii) the legal, economical and social consequences of the transfer on the employees; (iv) "the measures" to be taken with respect to the employees; and (v) work conditions at the new place of work. The law does not explain what kind of "measures" it refers to or whether such measures include dismissal of personnel.

Moreover, it is not clear if the obligation to "consult the employees' representatives for the purpose of reaching an agreement" compels the transferor employer and the transferee employer to reach an agreement with the employees' representatives as a condition precedent to the transfer of undertaking, or if such obligation is limited to mere consultation.

Pursuant to the provisions of Articles 11 and 12 of Law no. 67/2006, it appears that the same 30-day term is applicable for both procedures of consulting the employees' representatives and informing the employees with respect to the envisaged measures. This overlap does not seem to have any sense as the transferor employer and the transferee employer would have to consult first the employees' representatives on the measures to be undertaken and then inform the latter once again on the same measures.

It is recommendable that, prior to the implementation of the transfer of undertaking, both the transferor employer and the transferee employer take the following steps in order to avoid further contestations by the trade unions:

- consult the trade unions earlier than the 30 day term with respect to any envisaged measures;
- inform the trade unions in accordance with the provisions of Article 12 of Law no. 67/2006 within the term provided thereof (30 days) about the measures to be undertaken in relation to the transfer.

The obligation to consult the employees' representatives stated in Article 11 of Law no. 67/2006 should not be interpreted as establishing the obligation to obtain the employees' agreement with respect to the measures to be undertaken in relation to the transfer, although the consultation procedures have to be followed for the purpose of reaching such an agreement.

As mentioned above, Law no. 67/2006 does not provide any details on what kind of measures are to be subject to the consultation/notification procedures.

## IMPLEMENTATION: PROCEDURE

There are two alternatives with respect to employees in implementing the transfer of undertaking:

- The employees terminate their initial employment with the transferor employer and are employed with the transferee employer in the same job position;
- The employees terminate their initial employment with the transferor employer and are employed with the transferee employer in a different job position.

The employees can be transferred to the transferee employer only based on their express consent.

In such case, irrespective of whether the job position is maintained or modified, the individual employment agreements between the transferor employer and the employees are subject to termination by mutual consent, in accordance with the provisions of Article 55(b) of the Labor Code. Termination forms are to be submitted to the Territorial Labor Inspectorate. At the same time, new individual employment agreements will be executed between the transferred employees and the transferee employer, subject to the same registration formalities.

## RESTRICTIONS

Both the Labor Code and Law no. 67/2006 establish a protection regime applicable to the employees transferred to the transferee employer. The transferee employer is bound to observe the rights of the employees under the initial individual employment agreement and under the collective bargaining agreement applicable to the transferor employer. Consequently, the transferred employees cannot be granted rights that are inferior to those they had under the collective bargaining agreement with the transferor employer.

The transferee employer will not be allowed to modify the collective bargaining agreement applicable to the transferred employees until the expiry of a 12 months term from the date of transfer.

Also, the transferred employees may not be dismissed for reasons due to or in relation to the transfer of undertaking. ■