

Intellectual Property - Austria

Product appearance: intersection points between trademark and competition law

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Background

On February 12 2013 in *Lollipop*⁽¹⁾ the Supreme Court had another opportunity to decide on the interpretation of Section 2(3)(1) of the Act on Unfair Competition, by which Article 6(2)(a) of the EU Unfair Commercial Practice Directive (2005/29/EC) has been transmitted into national law. Contrary to the wording of Section 2(3)(1) of the act and Article 6(2)(a) of the directive, as well as to the opinions of a number of critics, the court confirmed its decisions in *relaxx.at*,⁽²⁾ *Gulliver's Reisen III*⁽³⁾ and *wetter.tv*,⁽⁴⁾ according to which a danger of confusion within the meaning of Section 2(3)(1) of the act can arise only if the products, trademarks, trade names or other distinguishing marks of a plaintiff have acquired 'secondary meaning' (ie, distinctiveness acquired through use).

Facts

The plaintiff was a Spanish candy producer selling distinctive lollipops with a chewing gum centre and distinctive wrapping paper. The plaintiff had sold the lollipops in Austria since the 1970s and the product was widely available throughout the country. The plaintiff claimed that its lollipops were one of the most popular choices among Austrian children and were well known by their characteristic wrapping paper. However, the plaintiff did not demonstrate that its lollipops had acquired secondary meaning with the relevant public.

At the beginning of 2012, a German candy maker started producing similar lollipops. The German lollipops had a chewing gum centre, the same flavours and almost identical wrapping paper. The plaintiff sued both the German candy maker and its Austrian distributor.

The plaintiff sought to stop the sale through an injunction by alleging:

- infringement of its trademark rights;
- avoidable confusion or deception regarding the origin of the lollipops; and
- unlawful imitation marketing.

Decision

The court of first instance granted an injunction based on Sections 1 and 2(3)(1) of the act, but denied the claim for trademark infringement because the trademark apparently did not protect the product's appearance. The appellate court dismissed the injunction finding that the plaintiff had failed to prove that the appearance of its lollipops had acquired secondary meaning with the relevant public.

For procedural reasons, the Supreme Court declined to re-examine whether the plaintiff's trademark was infringed, reversed the appellate court's decision and referred the case back to the court of first instance.

The Supreme Court held that, with regard to the imitation marketing dealt with in Section 2(3)(1) of the act,

a commercial practice is misleading within the meaning of this provision if the sales of the second product cause a danger of confusion among the relevant public. However, actual danger of confusion exists only if the typical consumer already knows the appearance of the product allegedly imitated. Furthermore, the typical consumer must associate the appearance with a particular product already on the market. If there is such association, the typical consumer will assume the appearance of the product to be an indication of origin and that the product known to him or her comes from a particular producer.

In referring to Section 9(3) of the act (which protects unregistered marks and product appearances with secondary meaning, among other things), the Supreme Court expressly ruled that, regardless of criticism voiced in learned opinions as to the previous decisions in *relaxx.at*, *Gulliver's Reisen III* and *wetter.tv*, Section 2(3)(1) of the act can be relied on only if a plaintiff can demonstrate that its product - including product appearance, trademark, trade names and other distinguishing marks - has acquired secondary meaning with the relevant public.

Comment

It appears that through this decision the Supreme Court has issued its final say on the interpretation of Section 2(3)(1) of the act, at least for the foreseeable future. Plaintiffs relying on Section 2(3)(1) of the act must prove that their products, product appearances and unregistered marks have acquired secondary meaning with the relevant public, regardless of whether the product, product appearance or unregistered mark is *per se* already distinctive. This puts a burden of proof on the plaintiff that is not required by either the express wording of Section 2(3)(1) of the act or that of the underlying provision of Article 6(2)(a) of the directive. Considering the wording of the directive, the Supreme Court could have considered asking the European Court of Justice for guidance, to make sure that its interpretation is in accordance with EU law.

As to the Supreme Court's reference to Section 9(3) of the act, that provision in the statute originally came into force in 1923. At that time, only signs which were affixed to the product or its packaging and which consisted of a word or a figurative element could be registered as trademarks. Product appearances - provided that they had secondary meaning - were protected by Section 9(3). This situation has since changed, as product appearances (ie, the shape of goods and their packaging) can now also be protected as trademarks, provided that they are distinctive. Thus, if a distinctive product appearance is protected as a trademark, its holder will be able to rely on trademark law to prevent third parties from using an identical or confusingly similar product appearance for the same or similar goods. If no such trademark exists, a plaintiff trying to prevent a competitor from using a product appearance that is confusingly similar to its distinctive product appearance can do so only if it can demonstrate that the distinctive product appearance has acquired secondary meaning.

In light of this latest decision of the Supreme Court, producers of products with distinctive product appearances should consider registering them as trademarks.

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Endnotes

- (1) 4 Ob 227/12 d.
- (2) 17 Ob 14/10y.
- (3) 17 Ob 26/11i.
- (4) 17 Ob 22/11a.

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