

QUESTION B

What are the criteria that determine the unfairness of so-called 'look-alikes'; what are the prohibitions and the appropriate sanctions?

This Question covers some important aspects of the protection of brands. The term 'look-alikes' has come into general use in the United Kingdom, in particular to refer to 'own brand' products of supermarkets and other retailers, the containers, labelling and packaging of which imitate the appearance of well-known branded products. However, in order to emphasise the real character and the effect of what some retailers are doing, it is not inappropriate to use other descriptions, such as 'parasitic imitations', or 'IP theft'. The situation in the UK is sufficiently serious that there have even been reports of instances in which brand owners have decided not to introduce a new product for fear that it will be imitated at a very early stage, before it has been possible to acquire adequate protection for their rights in the UK.

One of the problems existing in the United Kingdom arises because, although there a number of legislative measures which may be applicable to 'look-alikes', in some instances there is not the provision for owners of the IP rights affected to take their own legal action. In the case of 'consumer protection' legislation, enforcement is placed exclusively in the hands of public bodies, where the resources (in terms of finance and man-power) are insufficient and where there may be little interest in protecting the intellectual property rights of traders. It may be helpful to compare this situation with that which exists in other countries, within and outside the EU.

In addressing the matters raised in the International Reporter's Questionnaire, it may be helpful first to explain the relevant laws in the United Kingdom and the ways in which they are enforced. Although the UK comprises three separate legal jurisdictions (England & Wales, Scotland and Northern Ireland), for the purposes of this Question it is not thought that there are any material differences in the applicable laws. The various statutes and regulations which may have relevance in considering the subject of 'look-alikes', are all UK instruments having effect in all three jurisdictions. So far as any case-law is concerned, references in this report are all to decisions of the English courts.

It should be explained at the outset that the UK does not have a specific law of 'Unfair Competition'. There are arguments (some of which will be mentioned below) for the view that the UK does not comply fully with art 10bis of the Paris Convention, or with art 2 of the TRIPS Agreement¹, which reaffirms the requirement to comply with arts 1 to 12 inclusive and art 19 of the Paris Convention.

In the absence of a law of 'Unfair Competition', anyone dealing with a case involving a 'look-alike' product has to look to a fairly broad range of laws, depending on the nature of the case. Those who would argue that the UK does comply with art 10bis of the Paris Convention point to a range of laws, statutory and otherwise, which (it is said) add up as a whole to sufficient compliance. Under UK statute law, the Trade Marks Act 1994², the Copyright, Designs and Patents Act 1988³, the Registered Designs Act 1949⁴ (all subsequently amended in numerous respects) are probably the most relevant laws providing civil remedies available to businesses. In addition there are the Community Trade Mark Regulation⁵ and the Community Designs Regulation⁶, both of which are directly enforceable in the UK. There are also several consumer protection measures, in particular the Trade

Descriptions Act 1968⁷ (as amended), but such laws generally only provide criminal sanctions, not civil remedies for injured parties. Most recently, the UK Government has implemented the European Directive⁸ concerning unfair business-to-consumer commercial practices ('The Unfair Commercial Practices Directive' - 'UCPD') by secondary legislation, in the form of The Consumer Protection from Unfair Trading Regulations 2008 ('the 2008 Regulations')⁹. These regulations are among those which, as already mentioned, place enforcement in the hands of certain public bodies and make no provision for direct enforcement by affected businesses by civil action.

A further important source of potential protection against unfair competition is the 'Common Law', that is a body of law developed over centuries through decisions of the courts. The best known, for present purposes, is the law of 'passing off'. Another area is the law of 'malicious falsehood' or 'trade libel', though this is not usually of great relevance to the normal kind of 'look-alike' product.

These laws will be referred to, as appropriate, in response to the matters raised in the International Reporter's Questionnaire.

1. Scope of protection

1.1 Is there any protection granted to the producer of commercialised products and/or services besides that granted by intellectual property?

In addition to the protection that may be available, according to the circumstances of each case, for infringement of intellectual property rights such as a registered trade mark (or Community Trade Mark), of copyright in the design features of product labels, or of a registered or an unregistered design, protection through a civil action may be available under the common law of passing off. In cases of look-alike products, there are practical difficulties in relying on intellectual property rights. Look-alike products are not always close copies of the earlier product (such as might infringe copyright), so that copyright and design laws are not of much assistance. So far as trade mark infringement is concerned, look-alike products do not use the brand names of the imitated products or any similar names, and there are difficulties in registering features of package design without incorporating the brand name, because such features are usually regarded as 'non-distinctive' and therefore not registrable until after a significant period of use. Experience has shown that businesses which sell look-alike products often favour imitation of new package designs quite soon after they appear on the market. The problems of registration of such designs are demonstrated by the decision of the Court of Appeal in *Procter & Gamble's Application*¹⁰.

Similar difficulties may face a claimant in an action for passing off. The principles of the law of passing off have been authoritatively laid down by the House of Lords (the highest court for the UK), in particular in the '*Advokaat*' case¹¹ and *Reckitt & Colman v Borden*¹². The action for passing off has been developed for the protection of the goodwill in a business against damage caused by other traders. Essential requirements for a successful passing off claim are a misrepresentation made by one trader which causes or is likely to cause damage to the goodwill of another trader. A typical misrepresentation is a representation to the effect that the defendant's products are the claimant's products or are connected with the claimant. It has been emphasised, in several decisions of the English courts, the essence of the action is deception of customers or prospective customers, into believing that the defendant's products

are the products of the claimant. It is well established that the deception need not be intentional for a claim to succeed. Mere confusion, short of actual deception, is not sufficient. In one decision¹³, which provides a good example of a successful passing off claim, the court ruled that, for a passing off claim to succeed it was sufficient for the general public to be led to suppose, or assume or to guess that the claimant was in some way responsible for the defendant's goods or services. An essential practical requirement of the law of passing off is that in most cases, success in legal action depends upon sufficient proof that, *by the time when the product of the defendant is first marketed*, the claimant's product (ie the one that has been imitated) already had a 'reputation' in the market place. This may cause difficulties where the 'look-alike' appeared very soon after the claimant's product was launched in the retail outlets. Another practical difficulty is the obtaining of evidence to prove deception of consumers. Not only is it the case that consumers rarely complain about being deceived; retailers are not likely to be willing to allow the brand owners to conduct surveys of customers on the premises.

May the protection granted by unfair competition be used:

a. In addition to a counterfeiting action?

b. As a substitute to a counterfeiting action?

There is no specific 'action' for counterfeiting. Civil actions against counterfeiters and dealers in counterfeit goods, as well as against traders in look-alike products, may be brought on grounds of infringement of copyright, registered trade mark, registered design or unregistered design right, and passing off, depending upon the facts of the case. There are criminal sanctions available in some cases under (for example) specific provisions in the Trade Marks Act 1994, the Copyright, Designs and Patents Act 1988, and also under the Trade Descriptions Act 1968. Normally 'look-alike' products would not be regarded as 'counterfeits'. An action for passing off would be the normal basis to consider for a claim in respect of a 'look-alike' product, but this would not be in addition to or as a substitute for a 'counterfeiting' claim.

1.2. What claims can be asserted?

See the previous response. It is possible that a complaint might also be made to the enforcement authorities¹⁴ under the 2008 Regulations which implement the UPCD (see below).

1.3. Can the unfair nature of the commercialisation of similar products be limited by freedom of trade and industry?

[This question is not understood] The freedom enjoyed generally by trade and industry is sometimes abused, for example by the marketing of look-alike products.

2. Nature of the action

2.1 Is an action against the commercialisation of copies typically a civil, criminal or administrative one?

If a trader wishes to take action against a trader dealing in look-alike products, and to obtain the normal remedies such as an injunction and damages, then he must take civil proceedings

for passing off, or (if appropriate in the circumstances) infringement of an intellectual property right. A trader generally has no right to bring a civil action in respect of a breach of the criminal law. Actions under the 2008 Regulations referred to above are administrative actions. In adopting those regulations the British Government declined to adopt the provision of the UCPD which would have enabled businesses affected by 'unfair commercial practices' to take action directly against the wrongdoer and obtain the necessary remedies. The Government has promised to review the matter in a few years' time. However there is some concern that - particularly as the authorities charged with enforcing the 2008 Regulations are under resourced - there will be insufficient information available to be able to judge how effective the enforcement of the Regulations will have been. It is to be noted that, in contrast to the UK Government, the government in Ireland has, in implementing the UCPD, made provision for civil proceedings by 'any person' against a trader, in respect of a 'prohibited act or practice'¹⁵. The words 'any person' would include a firm or company claiming that its business was affected by a look-alike product.

2.2. *Is it typically successful? Is it a source of a significant number of decisions in your country?*

It is not possible to provide an answer. Hardly any court decisions have been reported, of cases concerning 'look-alike' products (as opposed to counterfeit goods). The criminal cases that have been reported, of which there are quite a few, have all concerned counterfeits. It is too early to be able to report any concluded cases under the 2008 Regulations.

3. *Necessary conditions for an action*

3.1. *Who is entitled to bring an action: manufacturers, distributors and/or consumers?*

A civil action may be brought, eg for passing off, by the manufacturer of the products which have been 'copied'. Distributors may also be entitled to bring an action, where their goodwill, or intellectual property rights, have been affected. A consumer may not bring a claim.

3.2. *Who is the defendant: the manufacturer, the distributor, the wholesaler or the retailer?*

In the first place, the retailer would be considered as a possible defendant. In the UK the most usual 'offenders' have been supermarkets and other retailers. It may also be possible to include the manufacturer of the look-alike (if identifiable) or a distributor as a defendant. For instance, if the packaging of the look-alike product is very close to the claimant's packaging, a claim for infringement of copyright, against the manufacturer, or the distributor, might be possible.

3.3. *Are there any time limits for filing an action?*

There are no time limits, as such, for civil proceedings, although there is a limitation period of six years in the case of a claim for damages. Injunctions, however, must be sought promptly and if action is delayed for too long, the claimant may become barred (by acquiescence or estoppel) from taking proceedings. In the case of a prosecution under the 2008 Regulations, there is a time limit for the commencement of proceedings, which is three years from the commission of the offence or one year from its discovery by the prosecutor, whichever is the earlier.

4. Criteria for assessing an unfair copy

What are the criteria for assessing whether a copy as unfair?

For the purposes of a civil claim for passing off, which as explained above is the only form of civil action (for a species of ‘unfair competition’ as opposed to infringement of a specific intellectual property right) which might be available against a look-alike product, there is no requirement of unfairness. The first requirement is proof of a misrepresentation, the question being whether consumers are or are likely to be misled into believing that the product in question is that of the claimant, or is somehow (eg by way of a licence) connected with the claimant.

In proceedings brought by an ‘enforcement authority’¹⁶ under the 2008 Regulations, it is necessary to establish that the conduct of the defendant falls within the definition of an ‘unfair commercial practice’. What constitutes such a practice is defined in reg. 3 of the Regulations. The definitions of the various kinds of unfair commercial practices are detailed and complex. The Regulations only came into force on 26 May 2008 and it is not known whether they have yet been the subject of any judicial interpretation. The provision which is most likely to be relevant to look-alike products is reg. 3(4), which says that a commercial practice is unfair if it is a ‘*misleading action*’ under reg. 5.

The first such practice, under reg. 5(2)(a), is one which “*contains false information and is therefore untruthful in relation to any of the matters in paragraph (4) or if its overall presentation in any way deceives or is likely to deceive the average consumer in relation to any of the matters in that paragraph, even if the information is factually correct*”. In particular, paragraph (4)(b) refers to the ‘main characteristics of the product’ listed in paragraph (5); these include (p) “*the geographical or commercial origin of the product*”.

Among other such commercial practices, under reg. 5(2)(b) is one which “*causes or is likely to cause the average consumer to take a transactional decision he would not have taken otherwise*”. It is unnecessary to set out the definition of ‘transactional decision’ in reg.2. It is perhaps sufficient to say that it includes a decision to purchase. A third such practice, under reg. (3)(a), is one which “*concerns any marketing of a product (including comparative advertising) which creates confusion with any products, trade marks, trade names or other distinguishing marks of a competitor*”.

Although the first two of these examples of unfair commercial practice may well cover some instances of look-alike products, they would both seem to require proof of deception of consumers, as required for the civil action for passing off. The third, it is thought, is potentially more useful. Not only does it refer to trade marks, and other matter which may be protectable through a claim for passing off, but also it is sufficient that the marketing “*creates confusion*”, which in terms is a lesser requirement than actual deception.

What elements must be established? Who carries the burden of proof?

As above. The burden of proof is on the claimant in civil proceedings, or on the enforcement authority in proceedings under the 2008 Regulations, as the case may be.

Are there any legal/jurisdictional/other (disputable) presumptions?

There are none.

4.1. *Reproduction*

4.1.1. *Is it sufficient to show the similarity of products to deem behaviour as unfair or are further elements necessary (e.g., a certain degree of individuality of the original product, market launch of the original product, exploitation of reputation of the original product, savings with regard to development costs, intentional imitation)?*

It would not necessarily be sufficient to show mere similarity of products. Whether the conduct is to be considered ‘unfair’ will depend upon all the circumstances of the case. Under the English laws, as described, the crucial requirement is that of deception or confusion of consumers. If a product of distinctive appearance is imitated, the conduct is more likely to be found to be ‘unfair’. The law of passing off does, in its essence, require exploitation of the reputation of the original product. Intentional imitation is not an essential requirement, although it has been said by a judge that where the court is satisfied that the defendant set out to deceive, the court will not lightly find that he has been unsuccessful.

4.1.2. *Is it relevant in deciding if reproduction is unfair whether the reproduced work (in particular, a product’s design) is solely dependent on technical or functional circumstances?*

This is relevant. If the appearance of the reproduced work, in particular the design of the product concerned, is solely dependant on technical or functional requirements, then it is unlikely that the conduct of the alleged imitator would be considered by a court to be ‘unfair’¹⁷.

4.2. *Confusion risk*

4.2.1. *Is the confusion risk taken into account and, if so, to what extent?*

As explained, the court must be satisfied at least (in the case of the 2008 Regulations) that there is a risk of confusion. But for an action for passing off, and also for a prosecution under some of the provisions of the 2008 Regulations, there must be shown to be deception, or a risk of deception. The problems in obtaining evidence have been mentioned above (section 1.1).

4.2.2. *How is confusion assessed (e.g., overall global approach, according to differences/similarities)?*

In general, the ‘overall global approach’ seems to be correct in applying the laws discussed above.

4.2.3. *Is the assessment based on the perception of an average consumer, a professional or an informed professional?*

With the kinds of products that are usually involved in cases of ‘look-alikes’, the assessment should be based on the perception of the average consumer.

**4.2.4. *How can the existence of a confusion risk be proved (testimonies, surveys, other)?
(Is it sufficient to demonstrate a confusion risk with regard to one single person?)***

Survey evidence can be and is frequently used to demonstrate a likelihood of deception or confusion in trade mark infringement and passing off cases. However, as already mentioned, there are practical difficulties in carrying out surveys on the actual premises where any confusion may be occurring. Where available, evidence of customers who have been deceived (or confused) will be given its appropriate weight, depending in particular on the way in which it was obtained. But a single instance of deception or confusion will rarely suffice in itself. In the end the court must make the decision, and it is possible and permissible for a court to find a risk of deception or confusion simply from comparing the products.

4.3. *Depreciation*

May inferior quality or a lower price be considered an unfairness criterion?

Inferior quality or a lower price may be relevant, but would not by themselves be conclusive. In the *Advokaat* case¹⁸ the defendant's product was significantly cheaper because it carried a lower rate of excise duty than genuine Advokaat, and that was probably a factor which influenced the court in finding (in effect) that the conduct of the defendant was 'unfair'. Inferior quality and lower price can also be relevant when damages come to be assessed.

5. *Compensation conditions*

5.1. *Is the termination and withdrawal of a product during the distribution stage possible? What about an urgent temporary procedure?*

In civil proceedings for trade mark infringement or passing off, the usual remedy of a preliminary injunction is available if sought promptly. The claimant must show, among other things, that he has an arguable case and that damages would be an inadequate remedy or difficult to quantify, or that the defendant would not have the means to pay any damages. Normally prior notice must be given of an application for such an injunction, although in exceptional circumstances an injunction may be granted without such notice having been given. In the case of criminal or administrative proceedings brought by enforcement authorities, in theory an injunction might be sought (by the Attorney-General, in cases of frequent offenders), but would be regarded in most cases as an exceptional remedy.

5.2. *How is financial compensation assessed (e.g., must a detrimental effect on turnover be proved, breach of brand image, more general commercial damage)?*

Does the damage award include payment of profits earned by the unfair competitor?

As already mentioned, in the UK the party affected by the unfair competition cannot obtain any damages or other remedy under the 2008 Regulations. This is because only an 'enforcement authority' may bring proceedings. There are no provisions for awarding compensation to injured parties. Historically, in seeking damages, a successful claimant had to prove any damage caused by the wrongful act. There was, and still is, an alternative remedy, called an 'account' of the defendant's profits, but this is a discretionary remedy (ie not available as a matter of right) and has not usually been granted where there was no intention to deceive. In practice, very few cases of infringement of intellectual property rights,

or passing off, ever proceed as far as assessment of damages by the court.

The position, as regards financial remedies, has changed significantly in recent years. Originally, some damage to the business had to be proved before damages could be awarded. This was not necessary where the alternative (though comparatively unusual) remedy of an ‘account of profits’ was sought. However, as a result of case law developed in the courts, the remedy of damages assessed on the basis of a notional royalty (which has long been available in patent infringement Cases) is now available in cases of infringement of other intellectual property rights, and of passing off¹⁹. Furthermore, changes were introduced under the EU Enforcement Directive²⁰ by the Intellectual Property (Enforcement Etc) Regulations 2006 (‘the Enforcement Regulations’)²¹. The Directive does not explain precisely what falls within the term ‘intellectual property rights’. Article 1 says that it includes ‘industrial property rights’, but there is no further definition. However Article 1 of the Paris Convention (which is mentioned in the recitals of the Directive), the full title of which is “The Paris Convention for the Protection of Industrial Property”, defines the expression ‘industrial property’ in broad terms and expressly includes the repression of unfair competition. Therefore it is reasonable to conclude that the Enforcement Directive and Regulations apply to remedies for passing off. Regulation 3(2)(a) of the Enforcement Regulations provides that in awarding damages, all appropriate aspects are to be taken into account, including in particular negative economic consequences such as lost profits, any unfair profits made by the defendant, and ‘moral prejudice’. Regulation 3(2)(b) further confirms that where appropriate, damages may be awarded on the basis of royalties or fees which would have been due had the defendant obtained a licence.

5.3. Does judicial publication constitute the main or a complementary form of compensation? Is it possible in an urgent temporary procedure?

Originally courts in the UK had no power to order publication of a decision at the defendant’s expense, although such an order might be made by consent of the parties, as part of an overall settlement. The publication of judicial decisions - at the defendant’s expense - is now provided for by art 15 of the Enforcement Directive. This provision was implemented, for Scotland, by art 5 of the Enforcement Regulations. It had already been enforced for England and Wales, by amendments to the Civil Procedure Rules²². The court’s order may include ‘appropriate measures’ for dissemination of the information concerning the decision, including displaying the decision and publishing it in full or in part.

6. Advisable evolution

6.1 Would you prefer a legislative, regulatory or judicial evolution in order to further enforce the protections established in your legal system?

Improved protection against look-alike products though judicial evolution, or through regulatory evolution, is needed, but achievement of this seems unrealistic at present. Therefore a legislative solution may be required. The UK Government has said that it will review the working of the 2008 Regulations in a few years’ time, and there is a possibility that further consideration will be given to allowing enforcement of the UCPD by private businesses, which would be permitted under art 11 of that Directive. The example set by Ireland could be helpful, and it would be useful to know how the matter has been dealt with in other EU Member States. However the possibility of any changes being introduced in the UK is probably quite remote, and it is considered that a legislative approach is to be preferred.

In which case; about what subjects?

For look-alikes, the most appropriate area for legislation is unfair competition. Consideration needs to be given to a proper implementation of art 10bis of the Paris Convention. The law of passing off only covers one kind of 'unfair competition'. Some other kinds are also covered by the English common law (eg trade secrets and injurious falsehood), but others are not. And it seems clear that the remedies provided by consumer laws, which do cover some kinds of unfair competition not covered by the common law, are insufficient compliance. Because such laws only impose criminal sanctions and do not allow for enforcement by the businesses affected through civil proceedings, these laws do not result in compliance with the obligation under art 10bis, to "assure to nationals [of the countries of the Union] effective protection against unfair competition", in areas not covered by the common law. There is probably scope for an EU Directive to harmonise Unfair Competition laws within the EU. The WIPO Model Law of Unfair Competition would be a good starting point.

1. (1996) Annex 1C to the Marrakesch Agreement Establishing the World Trade Organisation.
2. 1994 Chapter 26.
3. 1988 Chapter 48.
4. 12, 13 and 14 Geo 6 Chapter 88. The amended 1949 Act is set out in Schedule 5 of the 1988 Act.
5. Council Regulation (EC) 40/94 of 20 December 1993, as amended.
6. Council Regulation (EC) 6/2002 of 12 December 2001.
7. 1968 Chapter 29.
8. Directive 2005/29/EC.
9. Statutory Instrument 2008/1277.
10. [1999] European Trade Mark Reports 240.
11. [1980] Reports of Patent Cases 31.
12. [1990] Reports of Patent Cases 341.
13. *United Biscuits v Asda* [1997] Reports of Patent Cases 513. The manufacturers of the well-known 'Penguin' chocolate biscuits succeeded in a claim against a supermarket which was selling 'Puffin' biscuits.
14. In particular the Office of Fair Trading ('OFT') and local 'Weights and Measures' authorities - see regs 2(1) and 19 of the 2008 Regulations.
15. Consumer Protection Act 2007. Part 5, Chapter 2, s 71.

16. Note 14 above.
17. See e.g. *Hodgkinson & Corby v Wards Mobility Services* [1995] Fleet Street Reports 169.
18. See note 11 above.
19. For a recent example in a passing off case, see *Irvine v Talksport* [2003] Fleet Street Reports 619.
20. Directive 2004/48/EC on the enforcement of intellectual property rights.
21. SI 2006/1028, reg. 2 and Schedule 2, and reg 3.
22. See now the Civil Procedure Rules, Part 63, Practice Direction para 29.2.

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