

## **STATUS REPORT ON THE PROTECTION AGAINST UNFAIR COMPETITION IN WIPO MEMBER STATES\***

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\* The views and opinions expressed in this Report are the sole responsibility of the authors. The Report is not intended to reflect the views of the Member States or the WIPO Secretariat.

## NOTE FOR THE READER

The Status Report on the Protection Against Unfair Competition in WIPO Member States has been commissioned by the World Intellectual Property Organization (WIPO) and prepared by Mr. Martin Senftleben, Professor and Director, Institute for Information Law (IViR), University of Amsterdam, The Netherlands, in collaboration with a group of international experts who prepared country and region reports. The Report takes stock and explores which categories of unfair competition (unfair behaviour in the marketplace) play a role in unfair competition law and practice in the different regions of the world. The Report clarifies in which way Article 10*bis* of the Paris Convention has been applied in national legislation and case law. It sheds light on the different categories of unfair behavior (categories listed in Article 10*bis* of the Paris Convention and additional categories that may have been identified at the national level) that have been developed in jurisprudence and legislation in the regions worldwide. Country and region reports were prepared by the following authors:

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## I. EXECUTIVE SUMMARY

In the Member States of WIPO, the legal mechanisms chosen to ensure protection against unfair competition reflect different legal traditions and historical sources of unfair competition law. National and regional implementation strategies range from reliance on general tort law and passing off to specific statutes or regulations that address certain aspects of fair trading. Depending on the implementation context that is chosen at the national or regional level, specific unfair competition rules may form part of intellectual property (and particularly trademark) legislation, a country's commercial code, consumer law or competition act, and/or regional regulations seeking to promote free and fair competition. In several countries, comprehensive statutes have been adopted to provide protection against unfair competition for competitors and consumers alike. This approach, however, does not have become widespread to such an extent that it could be justified to speak of a broader trend towards the enactment of comprehensive unfair competition statutes.

Despite remaining differences in the design of the regulatory response, the Report shows clearly that, in some form or the other, the core ingredients of the regulatory model chosen in Article 10*bis* PC reappears in all countries and regions under consideration: effective protection against unfair competition (Article 10*bis*(1) PC) seems to require the combination of an open-ended, "catch-all" clause of a general nature (the role played by Article 10*bis*(2) PC at the international level) with several more specific provisions – or specific pieces of legislation – that address individual forms of unfair behavior (the examples given in Article 10*bis*(3) PC).

Besides the central goal to protect traders against unfair competitive practices, the objective to provide consumer protection has made its way into unfair competition law around the globe. All reports reflect the intention to protect consumers against deceptive trade practices. In legal systems with a specific statute dealing with unfair competition, consumer protection may be mentioned explicitly as one of the rationales underlying the legislation. Moreover, the public interest in fair, undistorted competition may be invoked to lay the groundwork for the grant of protection. In a passing off context, it may be said that the law is focused on the interests of traders whose pursuit of redress indirectly benefits consumers. Seeking to protect against misrepresentation in the marketplace, the law focuses on behavior which negatively affects both traders and consumers and, more generally, the public interest in fair, undistorted competition. In sum, it can be concluded that the law and practice in the countries and regions of the world seek to protect:

- competitors from commercial harm flowing from unfair acts;
- consumers from deceptive trade practices; and
- the public more generally by preserving fair and undistorted competition.

In the light of these rationales of protection, the approaches taken to determine compliance with honest practices in industrial or commercial matters rest on general, open-ended assessment criteria that can fall within different categories. The competent authorities may follow an approach focusing on conformity with the law, based on the customs and perceptions of honesty in the relevant sector of trade, and/or seeking to optimize the functioning of the market. To varying degrees, the concept of "honest practices" that has evolved in national or regional law and practice, therefore, consists of the following elements:

- legal positivist criteria (compliance with the law); and/or
- empirical criteria (compliance with the customs or perceptions of fairness in the sector); and/or
- functional criteria (compliance with economic preconditions for undistorted competition in a well-functioning marketplace).

In addition to the overarching concept of honest practices, the Report also clarified in which way the prohibition of unfair acts listed in Article 10*bis*(3) PC has been implemented at the national or regional level. The analysis shows clearly that the examples of unfair conduct in Article 10*bis*(3) PC provide important reference points for lawmakers and judges seeking to identify unacceptable competitive behavior.

With regard to the first category of prohibited acts enshrined in Article 10*bis*(3) PC – the causing of confusion as to a competitor’s establishment, goods or business activities – the Report reflects, first, a tendency of covering a broad range of company and product indicia, including distinctive product or service characteristics, geographical indications, descriptive brand names, trade dress, packaging design, the overall appearance of goods, colour schemes, fictional characters, (aspects of) celebrity images, marketing themes, and the layout of websites. Second, an actionable likelihood of confusion arises when the public might believe that goods or services come from a competitor’s undertaking, make false assumptions about product qualities or characteristics, or think that there is an economic connection with the competitor, such as an authorization or licensing agreement, or some other form of commercial association, including sponsorship, affiliation and endorsement.

The second category of acts listed in Article 10*bis*(3) PC – false allegations of such a nature as to discredit a competitor’s establishment, goods or business activities – may encompass, in national or regional practice, false allegations targeting a competitor’s products or services by attacking their quality or price, warning against a danger that, purportedly, results from their use, asserting non-compliance with advertised specifications, or claiming that goods are fake or unfit for consumption. As to a competitor’s undertaking and activities, the prohibition may cover, for instance, false allegations that the rival is on the verge of bankruptcy, has retired, or is guilty of criminal conduct. Protection may also be available when discriminatory statements are made relating to the competitor’s nationality, religious beliefs, or other private or personal matters. In addition to false factual statements, national or regional approaches may cover subjective value judgments. A potential relaxation of unfairness criteria can be observed with regard to the question whether false allegations must be proved to be untrue, made with malice or result in a specific type of damage, such as a pecuniary loss. Finally, a finding of discrediting, denigrating or disparaging conduct may also be based on the fact that relevant information has been omitted. As a counterbalance to the grant of protection, it is recognized that the objective to prevent harmful conduct must be weighed against the interest in freedom of (commercial) expression.

As to the third category of prohibited acts of unfair competition listed in Article 10*bis*(3) PC – the use of misleading indications or allegations with regard to a trader’s own goods – the survey shows that the misleading act can relate to various elements, including aspects that, instead of concerning product features, relate to the trader or manufacturer, or the rights of consumers. For an allegation or indication to be deemed misleading, however, national or regional law will normally require that additional criteria of unfairness be met. The applicable criteria may reflect the double rationale of protection that is inherent in the ban on misleading allegations and indications: the protection serves both competitors and consumers. Accordingly, a commercial practice may be regarded as misleading, first, when it affects the economic behavior of consumers due to its deceptive nature. Second, the allegation or indication may be actionable when, because of its impact, it injures, or is likely to injure, a competitor. The protection against misleading practices also covers omissions: situations where a trader hides material information, provides such information in an unclear, unintelligible, ambiguous or untimely manner, or fails to identify the commercial intent of the commercial practice in cases where this is not already apparent from the context.

For establishing an act of unfair competition falling within the scope of one of the examples listed in Article 10*bis*(3) PC, it may be necessary to demonstrate the existence of a competitive relationship. However, certain developments in the examined countries and regions point in the direction of a relaxation of the competitive relationship test. Besides acts carried out in



direct competition, it may be sufficient that a trader places itself in competition in some indirect way. It may also be sufficient that the allegedly infringing act causes damage to a broader range of market participants. At an even higher level of abstraction, it may be deemed sufficient that the allegedly infringing act has an influence on the state of competition.

As to additional types of protection that do not fall within the province of the examples given in Article 10*bis*(3) PC, the analysis yields mixed results with regard to misappropriation. In several countries and regions, there is a tendency to provide for protection against parasitic competition, for instance, in the form of prohibiting the unauthorized use of achievements that are the result of another person's substantial investment or efforts, for one's own business in an unfair manner. However, the analysis of national and regional approaches does not reflect general convergence on questions relating to misappropriation. Common ground may be found in the area of protection against slavish imitation where the requirement of avoidable origin confusion in civil law systems may forge a link with the misrepresentation test that belongs to the passing off analysis in common law systems. Developments in the area of protection against ambush marketing, including specific legislation in some countries, may also offer a basis for arriving at solutions that can bridge the differences between the legal traditions in unfair competition law.

Finally, the analysis of national and regional approaches reflects important developments in the area of trade secret misappropriation. There is consensus on the need to provide protection against the misuse of trade secrets across all countries and regions under examination. The legal instruments employed for this purpose, however, range from express or implied terms of contracts and the equitable action for breach of confidence to the adoption of statutory trade secret protection regimes. Under statutory regimes, any act or practice may be deemed an act of unfair competition that leads to the disclosure, acquisition, or use by an unauthorized third party, of confidential information without the consent of the lawful holder. In particular, protection regimes may seek to cover:

- industrial or commercial espionage;
- breach of contract;
- breach of trust;
- instigation to commit an industrial or commercial espionage or a breach of contract or trust;
- acquisition of confidential information by a third party who knew that such acquisition involved one of the above acts or whose ignorance of that fact constituted gross negligence.

With regard to new technologies and related marketing tools, the Report reflects increasing awareness of a need for solid transparency obligations, such as specific transparency rules for keyword advertising, targeted behavioral advertising and influencer marketing. The objective to find regulatory responses to new technological developments can also lead to new initiatives in the field of protection against misappropriation. In response to the data-driven economy and the increasing importance and commercial value of machine-generated data, it is conceivable, for instance, to introduce protection against data misappropriation, covering the wrongful acquisition, disclosure and use of accumulated raw data that would not meet the requirements of trade secret or copyright protection.

As to the relationship between protection against unfair competition and intellectual property laws, different ways of interaction are conceivable. On the one hand, legislation in the area of intellectual property may preclude, in its specific field of application, the invocation of general legal mechanisms that are available to ensure protection against unfair competition. Otherwise, general protection standards in the area of unfair competition law may undermine more specific requirements for acquiring protection or establishing infringement that have evolved in intellectual property law. On the other hand, protection against unfair competition can interact with intellectual property rights in various ways. First, protection against unfair

competition may complement intellectual property rights. The starting point for regulating the interplay between the two legal regimes may be independence – with protection against unfair competition being applied independently and in addition to intellectual property protection systems. The infringement of a statutory intellectual property right may also be qualified, at the same time, as an act of unfair competition. Second, certain concepts stemming from unfair competition law, such as the notion of misleading conduct, or the concept of “honest practices in industrial or commercial matters” (Article 10*bis*(2) PC), may be employed to delineate the scope of protection in an area of intellectual property protection, in particular trademark law. Vice versa, concepts that have received specific contours in intellectual property law, such as a consumer model or confusion concept that has evolved in trademark law, may also be applied in unfair competition law.

## II. INTRODUCTION

One of the main characteristics of a market economy is the presence of competition between various actors in the market. The question where the line should be drawn between fair competition and unacceptable competitive behavior has created abundant debate and literature.<sup>1</sup> Article 10*bis* of the Paris Convention for the Protection of Industrial Property (“Paris Convention” or “PC”) is the basic international norm in the field of unfair competition law. By virtue of the reference in Article 2(1) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS Agreement” or “TRIPS”), it creates also an obligation among WTO Members to ensure protection against unfair competition under the TRIPS Agreement. Article 39(2) TRIPS makes this international obligation more concrete with regard to the protection of trade secrets.

In the 90s, WIPO undertook a number of activities dealing with the topic of protection against unfair competition. A study on protection against unfair competition reflecting the world situation at that time was published in 1994.<sup>2</sup> WIPO *Model Provisions on Protection Against Unfair Competition* were presented in 1996.<sup>3</sup> Since that time, unfair competition law and its relationship with intellectual property protection have evolved. On the one hand, general protection against unfair competition may supplement more specific protection that follows from intellectual property rights. On the other hand, concepts of fairness in industrial or commercial matters may inform the interpretation and application of intellectual property rights. Hence, there is a complex interaction between intellectual property protection and general unfair competition law. In addition, technological developments have led to the evolution of new marketing and advertising strategies, in particular in the digital environment. New forms of competitive behavior, however, can pose complex questions of fairness and require adequate regulatory responses. The use of behavioral and machine-generated consumer data for computational advertising, product recommender systems and the enhancement of product performance also gives rise to the question whether new intangible assets – not constituting subject matter covered by specific intellectual property rights, such as certain types of data – may qualify for protection under unfair competition law.

Against this background, the following analysis explores the international legal framework for protection against unfair competition (chapter III) before embarking on an examination of the law and practice in members of the World Intellectual Property Organization (chapter IV). The concluding chapter V provides a summary of the main findings of the Report.

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<sup>1</sup> Cf. S. Ricketson, *The Paris Convention for the Protection of Industrial Property – A Commentary*, Oxford: Oxford University Press 2015, para. 13.34; M. Pflüger, “Article 10*bis*”, in: T. Cottier/P. Véron (eds.), *Concise International and European IP Law*, 3<sup>rd</sup> ed., Alphen aan den Rijn: Wolters Kluwer 2015, 296.

<sup>2</sup> WIPO, *Protection Against Unfair Competition: Analysis of the Present World Situation*, WIPO Publication No. 725, WIPO: Geneva 1994, para. 28-29

<sup>3</sup> WIPO, *Model Provisions on Protection Against Unfair Competition*, WIPO publication No. 832, Geneva: WIPO 1996.

### III. INTERNATIONAL FRAMEWORK FOR PROTECTION

As already indicated, Article 10*bis* PC is the basic international norm in the field of unfair competition law.<sup>4</sup> By virtue of the reference in Article 2(1) TRIPS, it creates also an obligation among WTO Members to ensure protection against unfair competition under the TRIPS Agreement. In *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (“Australia – Plain Packaging”), the WTO Panels dealing with plain packaging of tobacco products clarified that, with regard to the obligation of WTO Members to implement Article 10*bis* PC, no distinction could be made between acts of unfair competition relating to trademarks, geographical indications or other specific categories of intellectual property, and other acts of unfair competition. As no such distinction could be found in Article 10*bis* PC, effective protection against unfair competition had to be ensured without further qualification.<sup>5</sup> In particular, the term “in respect of” in the first sub-clause of Article 2(1) TRIPS did not have the effect of conditioning the scope of the incorporation of the obligation under Article 10*bis* PC to cover only those acts of unfair competition that relate to the types of subject matter addressed in Parts II, III or IV of the TRIPS Agreement.<sup>6</sup> The reference to Article 10*bis* PC in Article 2(1) TRIPS, thus, encompasses the repression of unfair competition as an object of the protection of industrial property in a general sense – without inherently limiting the international obligation to acts relating to intellectual property rights or other subject matter dealt with in the TRIPS Agreement.

To lay the groundwork for the subsequent analysis of developments in different WIPO Member States, it is important to provide an overview of the overarching international framework for protection against unfair competition. Accordingly, the following section A describes the historical development of Article 10*bis* PC. Section B discusses the core concept of “honest practices in industrial or commercial matters” following from Article 10*bis*(2). The question of a competitive relationship is addressed in section C before turning, in section D, to the examples of prohibited unfair acts given in Article 10*bis*(3).

#### A. HISTORICAL DEVELOPMENT OF ARTICLE 10*BIS* PC

Protection against unfair competition has been recognised as an element of industrial property protection for more than a century.<sup>7</sup> In 1900, the Brussels Conference for the Revision of the Paris Convention agreed that “[n]ationals of the Convention [...] shall enjoy, in all States of the

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<sup>4</sup> Cf. S. Ricketson, *The Paris Convention for the Protection of Industrial Property – A Commentary*, Oxford: Oxford University Press 2015, para. 13.33; M. Pflüger, “Article 10*bis*”, in: T. Cottier/P. Véron (eds.), *Concise International and European IP Law*, 3<sup>rd</sup> ed., Alphen aan den Rijn: Wolters Kluwer 2015, 295-296.

<sup>5</sup> WTO Panels, 28 June 2018, reports WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, para. 7.2630.

<sup>6</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2631. Cf. W.R. Meier-Ewert, “The WTO Disputes Regarding Tobacco Plain Packaging – Selected TRIPS Findings from the Panel Stage”, in: C. Heath/A. Kamperman Sanders (eds.), *Intellectual Property and International Dispute Resolution*, Alphen aan den Rijn: Kluwer Law International 2019, 211 (241-242). As to more restrictive interpretations in literature prior to the plain packaging decision of the WTO Panels, see Henning-Bodewig, *International Protection Against Unfair Competition*, 180.

<sup>7</sup> For a brief overview of the historical development, see Ricketson, *The Paris Convention*, para. 13.37-13.43; G.H.C. Bodenhausen, “Guide to the Application of the Paris Convention for the Protection of Industrial Property” WIPO publication No. 611, Geneva: BIRPI 1969, 142-143. A detailed description is given by S. Ladas, “Patents, Trademarks, and Related Rights – National and International Protection”, Volume III, Cambridge, Massachusetts 1975, 1678-1685. For a discussion of different historical legal sources of unfair competition law at the national level, see F. Henning-Bodewig, “International Protection Against Unfair Competition – Art. 10*bis* Paris Convention, TRIPS and WIPO Model Provisions”, *International Review of Intellectual Property and Competition Law* 1999, 166 (169-170).

Union, the protection granted to nationals against unfair competition”.<sup>8</sup> The new international norm was laid down in Article 10*bis*. Subsequent diplomatic conferences went beyond the principle of national treatment.<sup>9</sup>

At the 1911 Revision Conference of Washington, agreement could be reached on an obligation among Convention countries to assure effective protection.<sup>10</sup> In 1925, the Revision Conference of The Hague defined this obligation in more specific terms by introducing a definition and two examples of acts of unfair competition in Article 10*bis*. The first example clarified that all acts creating confusion with the products of a competitor must be prohibited. Pursuant to the second example, false allegations discrediting the products of a competitor had to be regarded as forbidden acts of unfair competition.<sup>11</sup> At the 1934 London Conference, the scope of these examples was broadened by replacing the reference to a competitor’s products with the formula of “the establishment, the goods, or the industrial or commercial activities of a competitor”.<sup>12</sup> A proposal by Germany seeking to prohibit certain forms of comparative advertising did not meet with approval.<sup>13</sup> A proposal tabled by Denmark, France, Norway, Sweden and Switzerland which aimed to prohibit false allegations referring to the origin, nature, manufacture, sale of products, or the quality of the commercial establishment or to industrial awards, was also rejected.<sup>14</sup> At the 1958 Lisbon Conference, however, a similar proposal by Austria was adopted, which led to the incorporation of a further example of acts of unfair competition, namely acts concerning indications or allegations liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for their purpose or quantity of the goods.<sup>15</sup>

The present text of Article 10*bis* mirrors the outlined stages of development.<sup>16</sup> The first paragraph sets forth the obligation to ensure effective protection against unfair competition. In the second paragraph, acts of unfair competition are defined as “[a]ny act of competition contrary to honest practices in industrial or commercial matters”. The third paragraph contains the aforementioned examples of acts which, in particular, must be prohibited: the causing of confusion with respect to a competitor’s establishment, goods or activities (No. 1), the discrediting of a competitor’s establishment, goods or activities (No. 2), and the misleading of the public as to the nature or other characteristics of one’s own goods (No. 3). The provisions of Article 10*bis* are supplemented by Article 10*ter* which provides for appropriate legal remedies capable of effectively repressing acts of unfair competition.

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<sup>8</sup> Union internationale pour la protection de la propriété industrielle, *Actes de la Conférence réunie à Bruxelles du 1<sup>er</sup> au 14 décembre 1897 et du 11 au 14 décembre 1900*, Berne 1901, 164 (proposal by France), 187-188, 310, 382-383 (discussion and adoption).

<sup>9</sup> The principle of national treatment as such does not impose an obligation on the Members of the Paris Union to afford protection against acts of unfair competition. Cf. Ladas, *Patents, Trademarks, and Related Rights*, 1678.

<sup>10</sup> Union internationale pour la protection de la propriété industrielle, *Actes de la conférence réunie à Washington du 15 mai au 2 juin 1911*, Berne 1911, 53 (proposal), 105, 224, 255, 305, 310 (observations and adoption).

<sup>11</sup> Union internationale pour la protection de la propriété industrielle, *Actes de la conférence réunie à La Haye du 8 octobre au 6 novembre 1925*, Berne 1926, 252, 255 (proposal), 348, 351, 472, 478, 525, 546-547, 578, 581 (observations and adoption).

<sup>12</sup> Union internationale pour la protection de la propriété industrielle, *Actes de la conférence réunie à Londres du 1<sup>er</sup> mai au 2 juin 1934*, Berne 1934, 197-198 (proposal), 418-419 (discussion and adoption).

<sup>13</sup> *Actes de Londres*, 419.

<sup>14</sup> *Actes de Londres*, 419.

<sup>15</sup> Union internationale pour la protection de la propriété industrielle, *Actes de la conférence réunie à Lisbonne du 6 au 31 octobre 1958*, Geneva 1963, 725, 784 (proposal by Austria), 106, 118, 725-727, 789-790, 852 (discussion and adoption).

<sup>16</sup> Cf. Henning-Bodewig, *International Protection Against Unfair Competition*, 170-173.

## B. HONEST PRACTICES IN INDUSTRIAL OR COMMERCIAL MATTERS

Article 10bis PC establishes a flexible, open minimum standard of protection against unfair competition.<sup>17</sup> At the core of this overarching provision lies the open-ended concept of “honest practices in industrial or commercial matters” on which the definition of acts of unfair competition in Article 10bis(2) rests. Traditionally, a line is drawn between the concept of “honest practices” and empirical standards referring to behavioral norms of fairness and decency that have evolved in a given community.<sup>18</sup> In *Australia – Plain Packaging*, the WTO Panels concluded in this vein that an act of competition could be deemed contrary to honest practices “if it is done in a manner that is contrary to what would usually or customarily be regarded as truthful, fair and free from deceit within a certain market”.<sup>19</sup>

However, the Panels conceded that this empirical approach culminates in a concept of “honest practices” that depends on time and market parameters: the way in which commercial matters “are habitually carried out is likely to vary from market to market and change over time”.<sup>20</sup> The perceptions of, and standards for, determining honesty in industrial or commercial matters can thus differ from market to market and country to country.<sup>21</sup> There may be “some diversity in how domestic legal systems approach the repression of unfair competition and what types of acts they cover”.<sup>22</sup> In the 1994 WIPO Study *Protection Against Unfair Competition: Analysis of the Present World Situation* (“WIPO Study”), the elasticity of empirical approaches to “honest practices in industrial or commercial matters” was described as follows:

It is true that describing unfair competition as acts contrary to “honest trade practices”, “good faith” and so on does not make for clear-cut, universally accepted standards of behavior, since the meaning of the terms used is rather fluid. The standard of “fairness” or “honesty” in competition is no more than a reflection of the sociological, economic, moral and ethical concepts of a society, and may therefore differ from country to country (and sometimes even within a country). That standard is also liable to change with time.<sup>23</sup>

The impact of individual market circumstances, however, is not the only aspect of an empirical approach that may require particular attention. The empirical approach has also been criticized by commentators as being imprecise. It is argued that the determination of relevant behavioral standards strongly depends on how the trade circle is defined whose customs and habits are taken as a basis for the analysis. Moreover, it is asserted that trade circles whose business practices serve as a reference point for determining honest practices *de facto* shape the legal standards, in the light of which their own behaviour is to be judged.<sup>24</sup>

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<sup>17</sup> Ricketson, *The Paris Convention*, para. 13.33; Pflüger, *Article 10bis*, 298.

<sup>18</sup> Cf. E. Ulmer, *Das Recht des unlauteren Wettbewerbs in den Mitgliedstaaten der Europäischen Wirtschaftsgemeinschaft*, Vol. I, Munich 1965, 42-43; Cf. Ladas, *Patents, Trademarks, and Related Rights*, 1685-1686.

<sup>19</sup> WTO Panels, 28 June 2018, reports WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, para. 7.2666.

<sup>20</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2666. Cf. Ricketson, *The Paris Convention*, para. 13.48.

<sup>21</sup> Cf. Meier-Ewert, *WTO Disputes Regarding Tobacco Plain Packaging*, 242-243.

<sup>22</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2671-7.2672 and 7.2675. Cf. Ricketson, *The Paris Convention*, para. 13.34.

<sup>23</sup> WIPO, *Protection Against Unfair Competition: Analysis of the Present World Situation*, WIPO Publication No. 725, WIPO: Geneva 1994, para. 28-29.

<sup>24</sup> Cf. Pflüger, *Article 10bis*, 300. For an overview of the discussion, see M. Höpferger and M.R.F. Senftleben, “Protection Against Unfair Competition at the International Level – The Paris Convention, the 1996 Model Provisions and the Current Work of the World Intellectual Property Organization”, in: R.M. Hilty and F. Henning-Bodewig (eds.), *Law Against Unfair Competition – Towards a New Paradigm in Europe?*, Berlin/Heidelberg: Springer 2007, 61 (65-68).

To escape this risk of circularity, it is conceivable to align the concept of “honest practices” with the objective of ensuring the efficient operation of competition as a core instrument of market economies. Besides the protection of competitors and consumers, the public interest in the efficient functioning of competition – in the sense of protecting market participants’ freedom of action and decision – enters the picture.<sup>25</sup> In this vein, the 1994 WIPO Study devoted attention to approaches including “the protection of the public at large, and especially its interest in the freedom of competition”.<sup>26</sup> The flexible formula of honest practices in Article 10bis(2) can be understood to offer sufficient room for national legislators and courts to adopt this functional approach.<sup>27</sup> In consequence, standards of integrity and fairness on the market have to be derived from the requirement to meet certain conditions for safeguarding competition as an institution of a free market economy.<sup>28</sup> This particular view of the concept of “honest practices” need not exclude ethical, behavioral standards, such as personal responsibility for market actions, respect for the needs of other market participants, and regard for the equality of rights in the market. As long as these ethical standards are deemed appropriate to attain the overarching goal of efficient, undistorted competition, they can be embedded in a functional approach without much difficulty.<sup>29</sup>

At the international level, the WTO Panels dealing with plain packaging of tobacco products left room for a purpose-oriented, functional determination of “honest practices” by recognizing that protection against unfair competition “serves to protect competitors as well as consumers, together with the public interest”.<sup>30</sup> According to the WTO Panels, this approach:

...is consistent with Article 7 of the TRIPS Agreement, entitled “Objectives”, which reflects the intention of establishing and maintaining a balance between the societal objectives mentioned therein. Consequently, a determination of what amounts to an act that is contrary to honest practices in commercial matters may, depending on the circumstances, reflect a balancing of these interests.<sup>31</sup>

An understanding of “honest practices” that includes the objective to ensure consumer protection<sup>32</sup> finds additional support in the *Model Provisions on Protection Against Unfair Competition* which WIPO presented in 1996 (“WIPO Model Provisions” or “WMP”).<sup>33</sup> Seeking to implement Article 10bis PC,<sup>34</sup> the Model Provisions maintain the concept of “honest practices”. Pursuant to the general clause of Article 1(1)(a) WMP, an act or practice “that is contrary to honest practices” constitutes an act of unfair competition.

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<sup>25</sup> Cf. Pflüger, *Article 10bis*, 300-301; F. Henning-Bodewig, “A New Act Against Unfair Competition in Germany,” *International Review of Intellectual Property and Competition Law* 36 (2005), 421 (426). Cf. E. Ullmann, “Das Koordinatensystem des Rechts des unlauteren Wettbewerbs im Spannungsfeld von Europa und Deutschland,” *Gewerblicher Rechtsschutz und Urheberrecht* 2003, 820 (821), who speaks of an additional safety net.

<sup>26</sup> WIPO, Study, 24-25.

<sup>27</sup> Cf. WIPO Study, 11-13, which, on the basis of the international framework, reflects considerations of this nature.

<sup>28</sup> Cf. Ulmer, *Das Recht des unlauteren Wettbewerbs*, 58-59.

<sup>29</sup> Cf. K.-N. Peifer, “Schutz ethischer Werte im Europäischen Lauterkeitsrecht oder rein wirtschaftliche Betrachtungsweise?,” in: R.M. Hilty and F. Henning-Bodewig (eds.), *Lauterkeitsrecht und Acquis Communautaire*, Heidelberg/Dordrecht/London/New York: Springer 2009, 125.

<sup>30</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2680.

<sup>31</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2680. Cf. Meier-Ewert, *WTO Disputes Regarding Tobacco Plain Packaging*, 243.

<sup>32</sup> For an overview of the different positions in the debate on the inclusion of consumer protection, see Ricketson, *The Paris Convention*, para. 13.36; Henning-Bodewig, *International Protection Against Unfair Competition*, 170.

<sup>33</sup> WIPO, *Model Provisions on Protection Against Unfair Competition*, WIPO publication No. 832, Geneva: WIPO 1996. The Model Provisions had been prepared by the International Bureau of WIPO in the light of WIPO, *Protection Against Unfair Competition: Analysis of the Present World Situation*, WIPO Publication No. 725, WIPO: Geneva 1994.

<sup>34</sup> WIPO Model Provisions, 6, note 1.01; Henning-Bodewig, *International Protection Against Unfair Competition*, 182-183.

However, Article 1(1)(a) WMP embeds the traditional formula in a broader context. Whereas, in Article 10bis(2) PC, the standard of “honest practices” applies only to acts of competition, no such restriction is to be found in Article 1(1)(a) WMP. By contrast, it is clarified that “omission of the requirement that the act be an act of competition makes it clear that consumers also are protected”.<sup>35</sup>

The inclusion of consumer protection can have repercussions on the guarantee of appropriate legal remedies that is addressed in Article 10ter(1) PC. Once consumer interests are recognized in unfair competition law, it appears desirable to permit consumer organizations to take action against acts of unfair competition in the courts or before administrative authorities, as envisaged in Article 10ter(2) in respect of federations and associations of industrialists, producers or merchants.<sup>36</sup> Article 1(1)(b) WMP which concerns the entitlement to remedies was brought into line with this approach. The provision broadly refers to “any natural person or legal entity damaged or likely to be damaged by an act of unfair competition”. Following this approach, remedies become available not only to competitors and their federations, but also to consumers and consumer associations.<sup>37</sup>

The WIPO Model Provisions constitute neither an international treaty nor a “soft law” instrument. They were presented by the International Bureau of WIPO but not formally adopted by the Assembly of the Paris Union or the General Assembly of WIPO. As their title indicates, they are intended to serve as a model for law-making activities and a reference point for court decisions.<sup>38</sup> The practical consequences of the application of the Model Provisions may therefore be similar to the influence of the joint recommendations that have been adopted in the area of trademark law,<sup>39</sup> even though their legal status is not the same. On its merits, the Model Provisions seek to provide guidance. By presenting a convincing example of how to implement international obligations in the field of the protection against unfair competition appropriately, they contribute to the harmonisation of national approaches and promote the development of further international common principles.

### C. COMPETITIVE RELATIONSHIP

A certain restriction of the scope of Article 10bis PC seems to follow from the continuous reference to “acts of competition”.<sup>40</sup> This reference is made in paragraph 2 providing the general definition of acts of unfair competition, and reappears in the first and second example set out in paragraph 3. In both cases, the establishment, goods or activities “of a competitor” are central to the analysis. On the basis of dictionary definitions, the WTO Panels dealing with plain packaging of tobacco products in Australia construed the term “competition” to mean “rivalry in the market, striving for custom between those who have the same commodities to dispose of.”<sup>41</sup> The Panels concluded that the term “act of competition” referred to something “done by a market actor to compete against other actors in the market”.<sup>42</sup>

<sup>35</sup> WIPO Model Provisions, 10, note 1.06. Cf. Pflüger, *Article 10bis*, 297.

<sup>36</sup> WIPO Study, 74.

<sup>37</sup> WIPO Model Provisions, 12, note 1.10.

<sup>38</sup> Cf. Pflüger, *Article 10bis*, 297.

<sup>39</sup> In the field of trademark law, three so-called joint recommendations were presented and adopted by the Assembly of the Paris Union and the General Assembly of WIPO. See 1999 *Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks*, WIPO publication No. 833, Geneva: WIPO 2000; 2000 *Joint Recommendation Concerning Trademark Licenses*, WIPO publication No. 835, Geneva: WIPO 2000; 2001 *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, WIPO publication No. 845, Geneva: WIPO 2001. The joint recommendations are made available on the Internet at <[http://www.wipo.int/about-ip/en/development\\_iplaw/](http://www.wipo.int/about-ip/en/development_iplaw/)>. Cf. C. Wichard, “The Joint Recommendation Concerning Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet,” in: J. Drexler and A. Kur (eds.), *Intellectual Property and Private International Law*, IIC Studies Vol. 24, Oxford and Portland, Oregon 2005, 257 (263).

<sup>40</sup> Cf. Ricketson, *The Paris Convention*, para. 13.47.

<sup>41</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2664.

<sup>42</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2665 and 7.2698.

Following this approach, the wording of Article 10*bis*(2) and (3) does not seem to preclude a restrictive interpretation requiring direct competition between the party committing the act of unfair competition and the party whose interests are affected. However, it also seems possible to soften the impact of the competition requirement. Going beyond direct competition in the same market segment, a competitive relationship between traders in different branches of industry or trade, and even an indirect competitive relationship can be deemed sufficient.<sup>43</sup>

The WIPO Model Provisions offer an example of this more flexible approach. As already indicated, the general clause prohibiting acts “contrary to honest practices” in Article 1(1) WMP does not contain any reference to “acts of competition”.<sup>44</sup> In addition, the requirement of a competitive relationship has been omitted throughout the catalogue of expressly forbidden practices in Articles 2 to 6 WMP. As a result, protection against unfair competition is no longer restricted to relations between competitors. The requirement of a competitive relationship which, as described, can be interpreted more or less restrictively in the context of Article 10*bis* PC has been abandoned in the Model Provisions. Following this approach, protection against unfair competition also becomes available in situations where there is no direct competition between the party who commits an act of unfair competition and the party whose interests are affected by the act.<sup>45</sup>

#### D. EXAMPLES OF PROHIBITED ACTS IN ARTICLE 10*BIS* PC

The examples in Article 10*bis*(3) PC concern acts of unfair competition which, in particular, are to be prohibited at the national level.<sup>46</sup> The 1994 WIPO Study identified as a common aspect of the examples in Article 10*bis*(3) “the attempt (by an entrepreneur) to succeed in competition without relying on his own achievements in terms of quality and price of his products and services, but rather by taking undue advantage of the work of another or by influencing consumer demand with false or misleading statements”.<sup>47</sup> As to the purpose of protection, it stated in the light of the reference to the “competitor” in Article 10*bis*(3), No. 1 and 2, that “unfair competition law was initially designed to protect the honest businessman”.<sup>48</sup> Considering the reference to the consuming “public” in Article 10*bis*(3), No. 3, it added that, in the meantime, “consumer protection has been recognised as equally important”.<sup>49</sup>

During the deliberations leading to the adoption of the catalogue of unacceptable forms of behavior in Article 10*bis*(3), the enumeration was understood not to imply an obligation to enact specific national legislation.<sup>50</sup> Moreover, paragraph 3 does not limit the ambit of operation of the general definition in paragraph 2. As explained in *Australia – Plain Packaging*, the practices enumerated in Article 10*bis*(3) are examples of dishonest practices. They constitute “an internationally agreed minimum”<sup>51</sup> as regards the types of dishonest practices that must be banned. The list of prototypes of unfair behavior in paragraph 3 must not detract from the fact that

...paragraph 2 sets the scope of the definition of “an act of unfair competition” as including “[a]ny” act of competition contrary to honest practices in commercial matters. The countries of the Union

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<sup>43</sup> Ricketson, *The Paris Convention*, para. 13.47; Pflüger, *Article 10bis*, 299; Bodenhausen, *Application of the Paris Convention*, 144; Ladas, *Patents, Trademarks, and Related Rights*, 1689.

<sup>44</sup> Cf. Pflüger, *Article 10bis*, 297.

<sup>45</sup> WIPO Model Provisions, 10, note 1.06; Henning-Bodewig, *International Protection Against Unfair Competition*, 183.

<sup>46</sup> Ricketson, *The Paris Convention*, para. 13.49, refers to acts which are “presumptively ‘unfair’.”

<sup>47</sup> WIPO Study, 24, para. 31.

<sup>48</sup> WIPO Study, 24, para. 33.

<sup>49</sup> WIPO Study, 24, para. 33.

<sup>50</sup> Actes de La Haye, 472. Cf. Pflüger, *Article 10bis*, 298.

<sup>51</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2678.



are, therefore, bound to provide effective protection against any acts of unfair competition falling within the definition in paragraph 2. This must comprise – at a minimum – the categories of practices mentioned in paragraph 3.<sup>52</sup>

Considering the preparatory work underlying Article 10*bis*(3) PC, the WTO Panels dealing with the examples of unfair conduct given in this provision were satisfied that, while the negotiators did not endeavour to specify other specific categories of practices against which all countries would be bound to assure effective protection, they had the intention of addressing unfair competition *sous toutes ses formes* (“in all of its forms”), and that the specific situations identified in paragraph 3 were provided *seulement comme un exemple minimum* (“only as a minimum example”).<sup>53</sup>

An analysis of the three “minimum example[s]” enshrined in Article 10*bis*(3) PC yields important insights into the international concept of protection. The first example provides evidence of the particular importance the Members of the Paris Union attached to explicit recognition of an unfair competition norm concerning confusion with respect to a competitor’s establishment, goods or activities,<sup>54</sup> even though the Paris Convention sets forth specific obligations ensuring protection of typical business and product identifiers, such as trademarks, service marks and trade names.<sup>55</sup> With regard to the underlying concept of “confusion”, the WTO Panels elaborated in *Australia – Plain Packaging* that the focus of the prohibition was on acts of such a nature as to create confusion about a competitor’s products, establishment, or industrial or commercial activities. Considering the ordinary meaning of the word, “confusion” could be defined as “[t]he confounding or mistaking of one for another; failure to distinguish”.<sup>56</sup> Accordingly, Article 10*bis*(3), No. 1, may be understood to cover situations “where an act of unfair competition is of such a nature that it results in confusion in the sense of mistaking between products or failure to distinguish between them”.<sup>57</sup> The notes on the causing of confusion in the WIPO Model Provisions (addressed in Article 2 WMP) reflect a concept of confusion that includes confusion as to affiliation or sponsorship.<sup>58</sup> The Model Provisions also confirm the objective to protect publicity and merchandising rights against confusing acts.<sup>59</sup> In Article 2 WMP, reference is not only made to typical business identifiers, such as marks and trade names, but also to the appearance and presentation of a product as well as marketing techniques using a celebrity or a well-known fictional character.<sup>60</sup>

As to the second example concerning the discrediting of a competitor’s establishment, goods or activities, it seems noteworthy that a proposal by Germany seeking to prohibit certain forms of comparative advertising was not accepted at the 1934 London Conference.<sup>61</sup> In the absence of specific advertising rules at the international level, a national solution can be developed along the lines of the second example in Article 10*bis*(3) and the general “honest practices” clause of Article 10*bis*(2). In contrast to a ban on comparative advertising, this

<sup>52</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2678.

<sup>53</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2678.

<sup>54</sup> Arguably, the broad expression “industrial or commercial activities” in Article 10*bis*(3), No. 1, PC can be understood to cover the provision of services. The example of unfair conduct, thus, covers both confusion as to goods and confusion as to services. Cf. Ricketson, *The Paris Convention*, para. 13.50; Pflüger, *Article 10bis*, 301.

<sup>55</sup> Actes de La Haye, 476; Ladas, *Patents, Trademarks, and Related Rights*, 1706-1707. Cf. Article 1 (2) PC. For a discussion of the relationship between these different avenues of protection against confusion, see Henning-Bodewig, *International Protection Against Unfair Competition*, 174-176.

<sup>56</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2714.

<sup>57</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2714.

<sup>58</sup> For a more detailed discussion of this point, see Henning-Bodewig, *International Protection Against Unfair Competition*, 185-186.

<sup>59</sup> WIPO Model Provisions, 16 and 20, notes 2.04 and 2.11. Cf. H. Ruijsenaars, “The WIPO Report on Character Merchandising,” *International Review of Intellectual Property and Competition Law* 25 (1994), 532, and the critical comments by P. Jaffey, “Merchandising and the Law of Trade Marks,” *Intellectual Property Quarterly* 1998, 240-266 (1998); M.R.F. Senftleben, *The Copyright/Trademark Interface – How the Expansion of Trademark Protection Is Stifling Cultural Creativity*, The Hague/London/New York: Kluwer Law International 2020, 152-163 and 202-205.

<sup>60</sup> Cf. Pflüger, *Article 10bis*, 301.

<sup>61</sup> Actes de Londres, 419. Cf. Ricketson, *The Paris Convention*, para. 13.57.

flexible international framework leaves room for changes in the regulatory approach, including a potential trend towards broader acceptance of comparative advertising in the light of constitutional guarantees, such as freedom of commercial expression.<sup>62</sup> As to discrediting acts, the examples given in the WIPO Model Provisions refer particularly to advertising and promotion, and focus on allegations concerning certain characteristics of products or services, as well as sales conditions (Article 5(2) WMP). It is moreover clarified that relevant acts of unfair competition may also be committed by consumer associations or the media.<sup>63</sup>

The third example implies a change of perspective. Whereas Article 10bis(3), No. 1 and 2 concern confusion with, or false allegations about, the goods of a competitor, Article 10bis(3), No. 3 does not expressly refer to the goods of a competitor. Instead, the focus lies on indications and allegations that a market participant makes about its own goods.<sup>64</sup> Referring to the ordinary meaning of “mislead”, the WTO Panels dealing with plain packaging of tobacco products concluded that the prohibition concerned acts which “deceive by giving incorrect information or a false impression”.<sup>65</sup> More specifically, the third example could be understood to address deceptive allegations that have either misled the public or are likely to do so. Besides acts of giving indications or making allegations, an omission of certain information may amount to a deceptive indication or allegation as well. This is the case “where such omission, in the course of trade, is liable to mislead the consumer, in the sense of deceiving him or her by giving incorrect information or a false impression”.<sup>66</sup> For instance, deception can arise if the public, in the absence of express information, expects a certain characteristic to be present.<sup>67</sup> The notes on misleading acts in the WIPO Model Provisions (addressed in Article 4 WMP) clarify that, besides inherently false indications, literally correct statements as well as the omission of information should be prohibited if they give a misleading impression. Obvious exaggerations in the course of “sales talk”, by contrast, need not necessarily be qualified as misleading.<sup>68</sup> The examples provided in Article 4(2) WMP refer to advertising and promotion activities. The list of characteristics of products or services contains a reference to the geographical origin.<sup>69</sup> Article 4 WMP, however, is silent on how to determine the impression on the addressee of a misleading statement. In this respect, the 1994 WIPO Study pointed out that the Paris Convention left this question to Member States, and provided an overview of different approaches, such as a distinction between average and gullible consumers, and the determination of a misleading effect on the basis of empirical data or through an overall estimation by the judge.<sup>70</sup>

As already indicated, use of the term “public” in Article 10bis(3), No. 3, implies that the prohibition is intended to cover situations where deceptive indications or allegations are directed at the consumer.<sup>71</sup> Considering this configuration of the provision, the third example offers important insights into the objectives underlying protection against unfair competition in the Paris Convention. It can hardly be denied that Article 10bis focuses on conduct between competitors.<sup>72</sup> The insertion of the third example, dealing with the misleading of the public as to the nature or other characteristics of goods, however, attests to a departure from the

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<sup>62</sup> WIPO Study, para. 92. Cf. A. Ohly, “Das neue UWG – Mehr Freiheit für den Wettbewerb?”, *Gewerblicher Rechtsschutz und Urheberrecht* 2004, 889 (892-894).

<sup>63</sup> WIPO Model Provisions, 44, note 5.05.

<sup>64</sup> Ricketson, *The Paris Convention*, para. 13.52; Pflüger, *Article 10bis*, 304.

<sup>65</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2750.

<sup>66</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2752.

<sup>67</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2752.

<sup>68</sup> WIPO Model Provisions, 30, note 4.02.

<sup>69</sup> The WIPO Model Provisions, 38, note 4.11, provide information on this example and clarify the interplay with special laws protecting geographical indications and appellations of origin.

<sup>70</sup> WIPO Study, 39-40.

<sup>71</sup> WIPO Study, 24, para. 33; WTO Panels, *Australia – Plain Packaging*, para. 7.2750.

<sup>72</sup> Pflüger, *Article 10bis*, 299; Ladass, *Patents, Trademarks, and Related Rights*, 1687.

confinement to the interests of competitors at the 1958 Lisbon Conference.<sup>73</sup> It offers a gateway for lending weight to the protection of consumers which has also been mentioned above as an objective that can inform the determination of honest practices in industrial or commercial matters.<sup>74</sup> As the examples in Article 10bis(3) concern acts which, in particular, are to be regarded as acts of unfair competition,<sup>75</sup> they illustrate the scope of the general clause laid down in Article 10bis(2). Accordingly, it appears consistent to interpret the general concept of “honest practices” in Article 10bis(2) not only in the light of the objective to protect the interests of competitors (in line with the examples given in Article 10bis(3), No. 1 and 2), but also with a view to ensuring consumer protection (as reflected in the final example provided in Article 10bis(3), No. 3).

## E. IDENTIFICATION OF ADDITIONAL ACTS OF UNFAIR COMPETITION

Given the multifaceted nature of competition and competitive behavior, the catalogue of prohibited acts in Article 10bis(3) PC – providing three examples – can hardly be expected to cover all cases that may become relevant when seeking to ensure effective protection against unfair competition.<sup>76</sup> Accordingly, it is important to recall that the international framework for protection requires not only the prohibition of the three specific types of acts identified in Article 10bis(3), but also effective protection against other acts falling within the scope of the general unfair competition concept laid down in Article 10bis(2).<sup>77</sup>

With regard to concrete fields of application, the TRIPS Agreement contains important reference points.<sup>78</sup> In respect of geographical indications, Article 22(2)(b) TRIPS sets forth an obligation to provide the legal means for interested parties to prevent “any use which constitutes an act of unfair competition within the meaning of Article 10bis of the Paris Convention (1967)”. Article 4 of the 1989 Treaty on Intellectual Property in Respect of Integrated Circuits, as incorporated into the TRIPS Agreement by virtue of the reference made in Article 35 TRIPS, recognizes unfair competition among other legal forms of protection which WTO Members may employ to ensure protection for layout designs of integrated circuits. Furthermore, Article 39(1) TRIPS provides that:

...[i]n the course of ensuring effective protection against unfair competition as provided in Article 10bis of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2 and data submitted to governments or governmental agencies in accordance with paragraph 3.

For the identification of additional examples of unfair behavior at the international level, this reference to Article 10bis PC in the context of trade secret protection is particularly instructive. Article 39(2) TRIPS stipulates that “natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices”. This protection against unfair competition is available so long as the information at issue is secret, has commercial value because it is secret, and has been subject to reasonable steps to keep it secret (Article 39(2)(a), (b) and (c) TRIPS). Adding these conceptual contours to the general obligation to protect trade secret holders against unfair competition, Article 39(2)

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<sup>73</sup> Actes de Lisbonne”, 725, 784 (proposal by Austria), 106, 118, 725-727, 789-790, 852 (discussion and adoption). Cf. Ladas, *Patents, Trademarks, and Related Rights*, 1687.

<sup>74</sup> Cf. Ricketson, *The Paris Convention*, para. 13.52; Pflüger, *Article 10bis*, 299; Ladas, *Patents, Trademarks, and Related Rights*, 1735.

<sup>75</sup> Bodenhausen, *Application of the Paris Convention*, 143.

<sup>76</sup> For an overview of additional forms of unfair conduct that have been discussed at Paris Convention revision conferences, see Ricketson, *The Paris Convention*, para. 13.54-13.59.

<sup>77</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2679.

<sup>78</sup> Cf. WTO Panels, *Australia – Plain Packaging*, para. 7.2629; Meier-Ewert, *WTO Disputes Regarding Tobacco Plain Packaging*, 241; Henning-Bodewig, *International Protection Against Unfair Competition*, 179-181.

TRIPS can be regarded as an international norm that gives a further example of prohibited conduct that amounts to unfair competition.<sup>79</sup>

Defining principal acts or practices against which protection should be granted, the WIPO Model Provisions also seek to provide guidance on additional acts of unfair competition that may require particular attention. The Model Provisions deal with the causing of confusion with respect to another's enterprise or its activities (Article 2 WMP), the damaging of another's goodwill or reputation (Article 3 WMP), the misleading of the public (Article 4 WMP), the discrediting of another's enterprise or its activities (Article 5 WMP) and, finally, unfair competition in respect of secret information (Article 6 WMP). Moreover, Article 1(1) WMP contains a general clause that is intended to serve as a basis for protection against other acts of unfair competition which are not specifically listed in the subsequent provisions.<sup>80</sup>

The system of the WIPO Model Provisions, thus, follows the model of Article 10*bis* PC. The identification of certain acts which, in particular, must be prohibited (Article 10*bis*(3) PC and Articles 2 to 6 WMP) supplement an overarching general clause (Article 10*bis*(2) PC and Article 1(1) WMP). The number of expressly listed acts of unfair competition, however, is somewhat higher in the Model Provisions. Besides the three cases of unfair competition listed in Article 10*bis* (3) PC, the Model Provisions contain two additional categories of unfair acts.<sup>81</sup> Pursuant to Article 3(1) WMP,

[a]ny act or practice, in the course of industrial or commercial activities, that damages, or is likely to damage, the goodwill or reputation of another's enterprise shall constitute an act of unfair competition, regardless of whether such act or practice causes confusion.

The groundwork for this additional example was laid in the 1994 WIPO Study which specifically devoted attention to acts of freeriding and, in particular, discussed the dilution of the "distinctive quality or advertising value" of a mark.<sup>82</sup> The latter formulation reappears in Article 3(2)(b) WMP as the core element of a definition of dilution which also summarizes examples of relevant acts listed in Article 3(2)(a) WMP. According to this definition, "dilution of goodwill or reputation means the lessening of the distinctive character or advertising value of a trademark, trade name or other business identifier, the appearance of a product or the presentation of products or services or of a celebrity or well-known fictional character". Article 3 WMP thus provides for broad protection against freeriding and dilution. It seeks to include the field of publicity and merchandising.<sup>83</sup>

The second additional example is laid down in Article 6 WMP and deals with unfair competition in respect of secret information. The provision is based on Article 39 TRIPS. The definition of the term "secret information" in Article 6(3) WMP is identical to the definition of "undisclosed information" in Article 39(2)(a), (b) and (c) TRIPS. Similarly, Article 6(1) WMP paraphrases the general principle established in Article 39(2) TRIPS:

[a]ny act or practice, in the course of industrial or commercial activities, that results in the disclosure, acquisition or use by others of secret information without the consent of the person lawfully in control of that information [...] and in a manner contrary to honest commercial practices shall constitute an act of unfair competition.

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<sup>79</sup> For a more detailed discussion of the relationship between Article 10*bis* PC and Article 39 TRIPS, see Ricketson, *The Paris Convention*, para. 13.61-13.65.

<sup>80</sup> WIPO Model Provisions, 6, note 1.01.

<sup>81</sup> Cf. Pflüger, *Article 10bis*, 297.

<sup>82</sup> WIPO Study, 54-58, particularly para. 109.

<sup>83</sup> Cf. Henning-Bodewig, *International Protection Against Unfair Competition*, 186.

The examples of relevant acts in Article 6(2) WMP refer to industrial or commercial espionage, breach of contract, breach of confidence and related acts. They can be placed in the context of footnote 10 of the TRIPS Agreement which accompanies the reference to “honest commercial practices” in Article 39(2) TRIPS:

For the purpose of this provision, “a manner contrary to honest commercial practices” shall mean at least practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that such practices were involved in the acquisition.<sup>84</sup>

The WIPO Model Provisions do not provide guidelines as to the efforts the owner of information must make in order to keep it secret. In this respect, the 1994 WIPO Study suggests considering whether the information contains material that is not confidential if looked at in isolation, whether it has necessarily to be acquired by employees if they are to work efficiently, and whether it is restricted to senior management.<sup>85</sup> With regard to former employees, the notes on Article 6 WMP recall that a fine line has to be walked between the legitimate use of skills, knowledge and experience acquired during employment and the unfair disclosure or use of the former employer’s secret information.<sup>86</sup>

In sum, the WIPO Model Provisions suggest to go beyond the current list of examples in the Paris Convention and add the misappropriation of trade secrets<sup>87</sup> and acts of dilution and freeriding to the cases expressly mentioned in Article 10*bis*(3) PC.<sup>88</sup>

#### F. RELEVANCE OF DEVELOPMENTS AT THE NATIONAL AND REGIONAL LEVEL

Considering the fluid, open-ended nature of the international framework for protection<sup>89</sup> and the constant evolution of new forms of competitive behavior, it is of particular importance to explore the law and practice that has evolved on the basis of the described international norms and guidelines.<sup>90</sup> Accordingly, the following overview of developments at the national and regional level will take stock and explore which categories of unfair behaviour in the marketplace play a role in current unfair competition law and practice. In this way, the following analysis seeks to clarify in which way Article 10*bis* PC is applied in national and regional legislation and case law.

More specifically, the individual country and region reports seek to shed light on the implementation of several elements of the international framework for protection, and identify relevant new developments, such as new forms of unfair competition that have arisen as a result of new technologies. The reports seek to clarify:

- the legal basis for offering protection against unfair competition, as stipulated in Article 10*bis*(1) PC. Is protection against unfair competition based on general tort law or passing off? Have specific laws been enacted to offer protection against unfair competition?<sup>91</sup> Which rationales of protection play a role in the countries and regions of the world? Are the interests of consumers taken into account in addition to the aim to protect competitors? Has the general public interest in fair and undistorted competition been recognized?;

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<sup>84</sup> For a discussion of the impact of footnote 10 on treaty interpretation, see Ricketson, *The Paris Convention*, para. 13.77.

<sup>85</sup> WIPO Study, 51, para. 99.

<sup>86</sup> WIPO Model Provisions, 50, note 6.08.

<sup>87</sup> Article 39 TRIPS.

<sup>88</sup> For an overview of acts not expressly mentioned in Art. 10*bis*, see WIPO Study, 48-68.

<sup>89</sup> Cf. WIPO Study, para. 28-29.

<sup>90</sup> Cf. Ricketson, *The Paris Convention*, para. 13.48.

<sup>91</sup> As to the historical roots of this implementation question, see Ricketson, *The Paris Convention*, para. 13.44.

- the relationship between protection against unfair competition and specific laws that offer protection for intellectual property rights. In which way do intellectual property rights and general standards of protection against unfair competition interact? Does protection against unfair competition complement intellectual property rights? Does specific legislation in the field of intellectual property preclude the invocation of general legal mechanisms that offer protection against unfair competition?;
- in which way the concept of “honest practices in industrial or commercial matters” known from Article 10*bis*(2) PC is applied in different regions and countries. Has a definition of honest practices evolved in case law or legislation? Which approach is taken to determine compliance with honest practices? Does an empirical approach based on the customs in the sector prevail? Do economic considerations, such as the aim to optimize the functioning of the market, play a role?;
- the way in which the prohibition of unfair acts listed in Article 10*bis*(3) PC has been implemented. How have the “minimum example[s]”<sup>92</sup> of prohibited acts been interpreted at the national or regional level? Which scope of protection results from this interpretation? What are the requirements to be fulfilled in order to obtain protection? Is a specific type of competitive relationship necessary?;
- whether protection against unfair competition that is offered in a country or region covers additional types of protection that do not fall within the province of the examples given in Article 10*bis*(3) PC. Have modern technologies, enabling new forms of competitive behavior, led to the recognition of a need to prevent additional types of unfair practices?

#### IV. LAW AND PRACTICE IN WIPO MEMBER STATES

Addressing the issues that have evolved from the analysis of the international framework for protection in the preceding chapter (see, in particular, section III.F), the following overview of developments takes stock of the implementation of several elements of the international legal framework at the national and regional level, explores categories of unfair behavior that play a role in current unfair competition law and practice in WIPO Member States, and sheds light on relevant new developments, such as new forms of unfair competition that have arisen as a result of new technologies. Section A examines developments in the Member States of ARIPO and South Africa. Section B explores unfair competition law and practice in the Member States of OAPI. Section C deals with unfair competition law and practice in Canada and the United States of America. Section D provides an overview of developments in the Caribbean region. Section E discusses unfair competition law and practice in Central America. Section F analyzes protection against unfair competition in the ANDEAN Community. Section G deals with unfair competition law in the Member States of the MERCOSUR. Section H offers an overview of developments in the Arab region. Section I examines unfair competition law and practice in China. Section J discusses protection against unfair competition in India. Section K sheds light on unfair competition law and practice in Japan and Korea. Section L deals with unfair competition law in the Member States of ASEAN. Section M examines developments in Australia and the South Pacific. Section N explores unfair competition law and practice in the Member States of the CIS. Section O provides an overview of developments in the EU. Section P discusses unfair competition law and practice in the UK.

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<sup>92</sup> WTO Panels, *Australia – Plain Packaging*, para. 7.2678.

## A. AFRICAN REGIONAL INTELLECTUAL PROPERTY ORGANIZATION (ARIPO) AND SOUTH AFRICA\*

This report seeks to provide an overview for 20 countries in Africa concerning the current status of protection against unfair competition. The broad definition of unfair competition in Article 10bis Paris Convention (PC) offers room for covering a wide range of unlawful activities. As not much work has been done on the topic in the region covered by the report, it is apt to illustrate how protection is provided in the countries covered against these varied modes of unfair competition. Yet, from the outset of this report, a clear distinction is drawn between private law rules that regulate the relationship between competitors and other private sector players and market participants on the one hand, and public law rules that safeguard and promote competition, e.g. by preventing certain mergers and tackling anti-competitive practices such as cartels and the abuse of dominance.<sup>93</sup> This report's clear focus is on the former category. It analyses the current situation in South Africa and the following 19 Member States of the African Regional Intellectual Property Organization (ARIPO): Botswana; Ghana; Kenya; Kingdom of Eswatini; Kingdom of Lesotho; Liberia; Malawi; Mauritius; Mozambique; Namibia; Rwanda, Sao Tome and Principe; Sierra Leone; Sudan; Tanzania; The Gambia; Uganda; Zambia and Zimbabwe. Somalia, while also a Member State of ARIPO, is neither a Member State to the PC nor a member of the WTO (and thus also not bound by Article 10bis PC via the TRIPS Agreement).<sup>94</sup>

More specifically, this report aims to (a) shed some light on the various approaches adopted in the study countries to fulfil the obligation to ensure effective protection against unfair competition contained in Article 10bis(1) PC; (b) explore how the concept of "honest practices in industrial or commercial matters" as per Article 10bis(2) PC is interpreted and applied in study countries; (c) investigate the way in which the examples of prohibited acts of unfair competition contained in Article 10bis(3) PC are implemented in the study countries; and (d) determine whether additional acts fall within the scope of protection against unfair competition in the study countries (including acts facilitated by modern technologies). The report concludes with a few remarks on the role of tort law. While the drafting of this report required a country-by-country analysis of primary and, where available, secondary sources from each country, the findings here are presented in such a way that observations from several countries are typically clustered together to exemplify general approaches and categories. This should provide a more succinct overview and aid readability.

Protection against unfair competition outside the specific protection regimes for intellectual property rights, and the regulation thereof, remains a topic which has not been developed in much detail in most countries considered and the supranational bodies and organisations they belong to. This underscores the relevance of this report – as a general overview and potential basis for future in-depth research on the topic in this part of the world. It appears that some of the most robust legal analyses of the issue have occurred in South Africa; yet, the author of this report resisted the temptation to unduly foreground findings from South Africa due to the country's somewhat unique approach. For most other countries covered, literature and case law remain rather limited.<sup>95</sup> It is hardly surprising, therefore (also in light of the intentionally broad framing of the term "unfair competition" in Article 10bis(2) PC to accommodate

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<sup>93</sup> While clear in theory, this distinction between private law and public law rules is not always clearly maintained in domestic law making efforts.

<sup>94</sup> See Article 2(1) of the TRIPS Agreement.

<sup>95</sup> While it was difficult to find relevant case law for most countries, we identified cases related to unfair competition issues in about one quarter of the study countries.

differences in how countries and regions deal with this area of law) that the scope of this type of protection often remains elusive even to intellectual property experts in those countries. This complicates a meaningful comparison. However, Professor Frauke Henning-Bodewig's finding from 1999<sup>96</sup> – namely that developed countries typically provide some form of legal protection to safeguard fair play in the business sector – seems to equally apply to the developing countries covered by this report. But approaches vary as will be explained in more detail in the following sections.

## 1. Legislative Framework

### 1.1 Regional and Sub-Regional Frameworks

Unfair competition law is not harmonised across the 20 African countries considered. However, several of those countries are Member States to one or more<sup>97</sup> Regional Economic Communities (RECs) or customs unions which have introduced regional or sub-regional competition regimes to advance regional integration in this area. Indeed, some countries are members of various RECs. The relevant RECs and customs unions are analysed below.

In particular, the Common Market for Eastern and Southern Africa (COMESA)<sup>98</sup> has adopted, in line with Article 55(3) of the COMESA Treaty, a regional competition regime comprising of the COMESA Competition Regulations, 2004,<sup>99</sup> supplemented by the COMESA Competition Rules, 2004, and Guidelines<sup>100</sup>. Article 10(2) of the COMESA Treaty states that a Regulation is binding on all Member States in its entirety.<sup>101</sup> The COMESA competition regime is enforced by the COMESA Competition Commission.<sup>102</sup> The COMESA Competition regime puts emphasis on merger control in cross-border cases as well as the prevention of restrictive business practices and the abuse of dominance; however, the COMESA Competition Regulations, in Part 5, contain consumer protection provisions against false or misleading presentation of goods and services<sup>103</sup> and “unconscionable conduct” in consumer and business transactions<sup>104</sup>, among others. Article 27 of the COMESA Competition Regulations lists 11 categories of false and misleading representations. According to an Explanatory Note issued by the COMESA Competition Commission: “[t]he unconscionable conduct provisions in the Regulations are directed towards prohibiting grossly unfair conduct – whether in the supply or acquisition of goods and services. The Regulations includes guidelines as to what would be considered unconscionable so that the circumstance of the conduct can be taken into account.”<sup>105</sup>

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<sup>96</sup> Henning-Bodewig, F. 'International Protection Against Unfair Competition - Art. 10bis Paris Convention, TRIPS and WIPO Model Provisions' in *IIC* 1999, 166.

<sup>97</sup> For an instructive overview of the overlapping memberships of African countries in RECs and customs unions see Dawar and Lipimile 'Africa: Harmonising competition policy under the AfCFTA' *Concurrences Competition Law Review* vol 2 (2020) pp244-245.

<sup>98</sup> The following study countries are COMESA member states: Eswatini, Kenya; Malawi; Mauritius, Rwanda; Sudan; Uganda; Zambia and Zimbabwe.

<sup>99</sup> Available at [https://www.comesacompetition.org/wp-content/uploads/2014/04/2012\\_Gazette\\_Vol\\_17\\_Annex\\_12-COMESA-Competition-Regulations-as-at-December-2004.pdf](https://www.comesacompetition.org/wp-content/uploads/2014/04/2012_Gazette_Vol_17_Annex_12-COMESA-Competition-Regulations-as-at-December-2004.pdf) [accessed on 13 September 2021].

<sup>100</sup> Available at [https://www.comesacompetition.org/?page\\_id=393](https://www.comesacompetition.org/?page_id=393) [accessed on 13 September 2021].

<sup>101</sup> Nevertheless, member states have raised questions about the need to domesticate the COMESA Treaty and the COMESA Competition Regulations, see, for instance, Kigwiri and Mwemba 'The COMESA Competition Commission (CCC), Earlier Experiences and Lessons for Regional Competition Regimes in the Global South, *AfronomicsLAW Analysis* (30 August 2021), available at <https://www.afronomicslaw.org/category/analysis/comesa-competition-commission-ccc-earlier-experiences-and-lessons-regional> [accessed on 13 September 2021].

<sup>102</sup> See Part 2 of the COMESA Competition Regulations.

<sup>103</sup> See Art 27 of the COMESA Competition Regulations.

<sup>104</sup> See Arts 28 and 29 of the COMESA Competition Regulations.

<sup>105</sup> COMESA Competition Commission *Consumer Protection - Explanatory Note*, available at [https://www.comesacompetition.org/?page\\_id=294](https://www.comesacompetition.org/?page_id=294) [accessed on 13 September 2021].



In the Southern African Development Community (SADC) region<sup>106</sup>, Article 25 (“Competition Policy”) of the 1996 Protocol on Trade in the Southern African Development Community (SADC) region broadly states that “Member States shall implement measures within the Community that prohibit unfair business practices and promote competition”. In response to Article 25 of the SADC Protocol, SADC has adopted a non-binding Declaration on Competition and Consumer Policies, 2009.<sup>107</sup> Instead of creating a regional competition law, the Declaration provides for a cooperation framework to ultimately achieve regional law and policy harmonisation in this area. Among other things, the Declaration encourages Member States to establish “a transparent framework that contains appropriate safeguards to protect the confidential information of the parties and appropriate national judicial review.”<sup>108</sup>

In 2006, the East African Community (EAC)<sup>109</sup> enacted the EAC Competition Act to promote and protect fair competition in the EAC and to provide for consumer welfare, and in 2010 the EAC Competition Regulations were adopted.<sup>110</sup> Almost identical to Articles 27 and 28 of the abovementioned COMESA Competition Regulations, Part VIII (“Consumer Welfare”) of the EAC Competition Act prohibits “false representations”<sup>111</sup> and “unconscionable conduct in consumer transactions”<sup>112</sup>. The EAC Competition Act came into force on 1 December 2014 and as a result, at least two parallel competition law regimes do now exist in the region, i.e., the regional EAC framework for cross-border cases and the domestic competition laws<sup>113</sup> for competition issues arising at national levels.

Other sub-regional frameworks seem to be of lesser importance for the purposes of this study. While the Economic Community of West African States (ECOWAS)<sup>114</sup> has also introduced a Competition Policy Framework and Rules<sup>115</sup> for the region, these instruments do not appear to extend to questions concerning unfair competition in the sense of Article 10bis PC. Part 8 of the Southern African Customs Union’s (SACU)<sup>116</sup> Agreement of 2002 committed Member States to domestic competition policies and enforcement cooperation in this area.<sup>117</sup> Moreover, Article 41 obliges Member States to develop and adopt policies and instruments to address unfair trade practices between them. The Economic Community of Central African States (ECCAS)<sup>118</sup> does not establish an operational regional competition regime covering unfair conduct in the sense of Article 10bis PC.

On the continental level, African countries started to trade under the new African Continental Free Trade Area at the beginning of 2021. Article 4(c) of the African Union’s 2018 Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement) stipulates that

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<sup>106</sup> The following study countries are SADC member states: Botswana, Eswatini, Lesotho, Malawi, Mauritius, Mozambique, Namibia, SA, Tanzania, Zambia, Zimbabwe.

<sup>107</sup> Available at

[https://www.sadc.int/files/4813/5292/8377/SADC\\_Declaration\\_on\\_Competition\\_and\\_Consumer\\_Policies.pdf](https://www.sadc.int/files/4813/5292/8377/SADC_Declaration_on_Competition_and_Consumer_Policies.pdf) [accessed on 13 September 2021].

<sup>108</sup> See s1(e) of the Declaration.

<sup>109</sup> The following study countries are EAC Partner States: Kenya, Rwanda, Tanzania and Uganda.

<sup>110</sup> In addition, the 2004 Protocol on the Establishment of the EAC Customs Union, in Art 21, provides that “Partner States shall prohibit any practice that adversely affects free trade including any agreement, undertaking or concerted practice which has as its objective or effect the prevention, restriction or distortion of competition within the Community. [...] The implementation of this Article shall be in accordance with the East African Community competition policy and law”.

<sup>111</sup> Art 28 of the EAC Competition Act.

<sup>112</sup> Art 29 of the EAC Competition Act.

<sup>113</sup> To the extent these exist.

<sup>114</sup> The following study countries are ECOWAS member states: Ghana, Liberia, Sierra Leone, the Gambia.

<sup>115</sup> These can be accessed on the ECOWAS Competition Authority website at <https://www.arcc-erca.org/> and here: <https://www3.nd.edu/~ggoertz/rei/rei260/rei260.35tt1.pdf> [accessed on 13 September 2021].

<sup>116</sup> The following study countries are SACU member states: Botswana, the Kingdom of Lesotho, Namibia, South Africa and the Kingdom of Eswatini.

<sup>117</sup> Article 40.

<sup>118</sup> The following study countries are ECCAS member states: São Tomé and Príncipe and Rwanda.

State Parties<sup>119</sup> shall, among other things, cooperate on competition policy. The AfCFTA Agreement negotiations take place in phases. According to Article 7 of the AfCFTA Agreement, competition policy issues (and intellectual property issues) form part of Phase II negotiations. These will result in a Protocol to the AfCFTA Agreement on Competition Policy. Once completed, the Protocol will become part of the AfCFTA Agreement. As a result of COVID-19, negotiations are facing delays. Nonetheless, negotiations on Phase II are still expected to commence this year. It is unclear at this stage whether the Protocol on Competition Policy will go beyond core competition law issues such as cartels, mergers and the abuse of dominance, and extend to other areas such as “acts of competition contrary to honest practices in industrial or commercial matters” as addressed by Article 10*bis* PC. Critically, however, Article 5 of the AfCFTA Agreement clarifies that it generally builds on existing best practices in the RECs, as outlined above. In case of conflict, AfCFTA Agreement provisions will in principle prevail unless State Parties have already attained higher levels of regional integration among themselves.<sup>120</sup>

## 1.2 Domestic Frameworks

On the domestic level, it is noteworthy that countries represent a variety of legal systems (civil law, common law, a combination of civil law and common law and/or religious law). This also influences the way of how they address unfair competition – both technically and substantively. The countries have thus responded to their obligations under Article 10*bis*(1) PC in a variety of ways, which can be summarised as follows:

Various legal bases exist in most countries for different aspects of unfair competition. These usually range from specific (but not necessarily comprehensive) laws offering protection against certain types of unfair competition, to competition laws, consumer protection laws, intellectual property laws, sectoral laws and/or a combination of these laws. In addition, tort and delictual law also still plays a role in some of the countries, as explained in section 6 of this report. Consequently, rationales for providing such protection also differ, with some emphasis, it seems, on the protection of consumers.

More specifically, most countries do currently not have a specific law focussing exclusively on protection against unfair competition. Only four of the countries (Eswatini, Ghana, Mauritius, and Namibia) do have such legislation<sup>121</sup>. Malawi has a combined Competition and Fair Trading Act<sup>122</sup>. Several countries such as Kenya, Liberia, Sudan and Zimbabwe do not mention (un)fair competition/trading in a similar way in their competition legislations’ titles; yet, they also address unfair competition issues in their respective Competition Acts.<sup>123</sup> Other countries (including Rwanda and Zambia) have adopted combined competition and consumer protection laws and typically address unfair competition issues as a consumer protection

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<sup>119</sup> “State Parties” are the AU Member States that have ratified the AfCFTA Agreement or acceded to it (see Art 1 (v) of the AfCFTA Agreement). The following study countries are State Parties: Ghana; Kenya; Kingdom of Eswatini; Kingdom of Lesotho; Malawi; Mauritius; Namibia; Rwanda, Sao Tome and Principe; South Africa; Sierra Leone; The Gambia; Uganda; Zambia and Zimbabwe.

<sup>120</sup> See Art 19 of the AfCFTA Agreement.

<sup>121</sup> Eswatini: The Fair Trading Act of 2001; Ghana: The Protection Against Unfair Competition Act of 2000; Mauritius: The Protection against Unfair Practices (Industrial Property Rights) Act of 2002; Namibia: Trade Practices Act of 1976. On the face of it, Tanzania’s Fair Competition Act of 2003 would also fall into this category; however, while the Act does address unfair competition issues in parts III – V, it deals with competition issues more broadly and can therefore not be labelled as a specific law focussing exclusively on the protection against unfair competition. In addition, Liberia appears to have drafted such legislation in 2014; however, it seems the draft piece of legislation never became law.

<sup>122</sup> Competition and Fair Trading Act No. 43 of 1998; “unfair trading” is addressed in s43 of the Act.

<sup>123</sup> Kenya’s Competition Act of 2010, for instance, addresses false and misleading representations in s55 and “unconscionable conduct” in ss 56 and 57; see also: s7 “misrepresentations” [part III (“unfair trade practices”)] of Liberia’s Competition Law of 2016; Chapter Three [“consumer protection”] of Sudan’s Competition and Antitrust Law of 2009; s42 (“unfair trade practices”) of Zimbabwe’s Competition Act of 1996.

concern in these laws.<sup>124</sup> Similarly, specific consumer protection laws in several countries – e.g., Botswana, the Gambia, Kenya, Malawi, Mozambique and South Africa<sup>125</sup> – deal with aspects of unfair competition. Moreover, elements of protection against unfair competition can also be found in the intellectual property statutes of numerous countries.<sup>126</sup>

As mentioned earlier in this report, South Africa has, in comparison to many of the other countries, a well-developed unfair competition regime<sup>127</sup>. However, unlike the other countries, South Africa’s unfair competition regime is predominantly based on common law.<sup>128</sup> Yet, it is important to acknowledge that like other countries, South Africa also addresses different elements of unfair competition in several statutes such as the Trademarks Act and the Consumer Protection Act. Under South African common law, a general delict (tort) of unlawful competition exists<sup>129</sup> – based on the *lex Acquilia*.<sup>130</sup> A critical element for determining whether competition is unlawful is the *boni mores*<sup>131</sup>, a yardstick which considers, among other things, fairness, honesty, reasonableness and public morals. This will be explained in more detail in section 3 of this report. The emphasis of this legal instrument is on protecting the interest of competitors as it chiefly seeks to address the infringement of the right to attract custom. Several specific common law-based forms of unlawful competition have already been recognised by South African courts, including passing off and leaning on, certain misrepresentations, the misappropriation of trade secrets, and spreading untrue or malicious rumours. In addition, contravention of any statutory provision (as contained, for instance, in the Consumer Protection Act of South Africa) may also provide the basis for a liability under the common-law concept of unlawful competition<sup>132</sup> – often in addition to what the statute in question provides in terms of remedies.<sup>133</sup>

## 2. Honest Practices in Industrial or Commercial Matters

Several countries – including Botswana, the Gambia, Ghana, Lesotho, Mauritius, Mozambique, Namibia, Rwanda, Sao Tome and Principe, Sierra Leone – specifically refer in their relevant laws to “honest practices” in commercial<sup>134</sup> matters.

One country which seeks to define the term “contrary to honest commercial practice” is Mauritius. According to the 2002 Protection against Unfair Practices (Industrial Property Rights) Act of Mauritius, “the term [...] shall include any practice, which may constitute a

<sup>124</sup> See Rwanda’s Law No.36/2021 Relating to Competition and Consumer Protection (Chapter V: Consumer Protection; especially Articles 37 and 39) and Zambia’s Competition and Consumer Protection Act of 2010 (Part VII [“Consumer Protection”]; especially ss45-47, dealing with unfair trading practices and false/misleading representations).

<sup>125</sup> See, for example, s11 of the Gambian Consumer Protection Act of 2014; ss43 and 44 of Malawi’s Consumer Protection Act of 2003; Art 20 of Mozambique’s Consumer Rights Law of 2009; Part F of South Africa’s Consumer Protection Act of 2008.

<sup>126</sup> See for instance s114 of Botswana’s Industrial Property Act of 2010; s34 (Part VI) of Lesotho’s Industrial Property Order of 1989; s10.2 of Liberia’s Intellectual Property Act of 2016; Articles 212 and 213 of Mozambique’s Industrial Property Code of 2015; s194 of Namibia’s Industrial Property Act of 2012; Title III (“Protection against unfair competition”) of Rwanda’s Law No.31/2009 on the Protection of Intellectual Property; Articles 277 and 278 of São Tomé and Príncipe’s Intellectual Property Code of 2016; Part III of Sierra Leone’s Trade Marks Act of 2014;

<sup>127</sup> For an in-depth discussion see Johann Neethling, *Unlawful Competition*, LexisNexis 2015.

<sup>128</sup> Several other study countries, including Lesotho, Tanzania and Zimbabwe, also deal with aspects of unfair competition via the common law, especially with regards to passing off. This is also because historically, the legal systems of several other study countries are based on English Common law and/or South African law.

<sup>129</sup> Owen Dean & Alison Dyer *Introduction to Intellectual Property Law*, Oxford University Press South Africa (2014) at 3.1.

<sup>130</sup> The requirements for liability under the *lex Acquilia* are: an act or omission; wrongfulness of the act or omission; causation; fault; and patrimonial loss.

<sup>131</sup> See *Phumelela Gaming and Leisure Ltd v Gründlingh and Others* 2007 (6) SA 350 (CC) at 361-362.

<sup>132</sup> Dean & Dyer *Introduction to Intellectual Property Law*, at 3.5.2.

<sup>133</sup> The relationship between the common law right of unlawful competition on the one hand and other intellectual property rights on the other is a bit more complex: see, for instance, *Payen Components SA Ltd v Bovic Gaskets CC and Others* 1995 (4) SA 441 (A) 29.

<sup>134</sup> Some but not all of these countries also specifically refer to “industrial” matters.

breach of contract, a breach of confidence, an inducement to breach or the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that any such practice was involved in the acquisition”<sup>135</sup>.

Typically, however, the term “honest practices” is not further defined in domestic legislation. But specific activities are often expressly considered acts of unfair or unlawful competition and are thus, by extension, contrary to honest practices in commercial matters.<sup>136</sup>

Section 114(2) of Botswana’s Industrial Property Act, for instance, states that ‘any act of competition which is contrary to honest practices in industrial or commercial matters shall constitute acts of unfair competition.’ Section 114(3) of the Act goes on to list specific forms of conduct which are explicit forms of unfair competition which mirror Article 10bis(3) PC. Similarly, Ghana’s Protection Against Unfair Competition Act states in s7 that “[i]n addition to the acts referred to in sections 1 to 6 any act or practice in the course of industrial or commercial activities that is contrary to honest practices constitutes an act of unfair competition”. Sections 1-6 refer to the following acts:

- causing confusion with respect to another’s enterprise or its activities;
- damaging another person’s goodwill or reputation;
- misleading the public;
- discrediting another person’s enterprise or its activities;
- unfair competition in respect of secret information; and
- unfair competition in respect of national and international obligations.

Other study countries use the terms “unfair practice”, “unfair business practice”, “unfair competitive practice” or just “unfair competition” instead of referring to “honest practices in industrial or commercial matters” in their relevant legislation. Again, these terms are typically not defined; however, laws often designate a host of forms of conduct as such practices. For instance, Eswatini’s Fair Trading Act of 2001 - while making no mention of “honest practices” - refers to unfair practices. Part II of the Act outlaws certain forms of commercial conduct, specifically misleading, deceptive or false conduct. Similarly, Malawi’s legislation refers to unfair competitive practices rather than honest business practices, and s43 of the Competition and Fair Trading Act lists the instances in which one may be said to be engaged in unfair competitive practices such as misrepresentation of facts and conduct that may mislead the public.

In South Africa, courts have held for quite some time that the criteria of fairness and honesty in trade and competition, while vague and elastic, are key to determine whether a certain conduct qualifies as unlawful competition or not. However, the more nuanced *boni mores* test has since evolved, which emphasises moral and ethical as well as public policy considerations. According to Van Dijkhorst J in *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd and Others*<sup>137</sup>, “the interests of the competing parties have to be weighed, bearing in mind also the interests of society, the public weal. As this norm cannot exist *in vacuo*, the morals of the market place, the business ethics of that section of the community where the norm is to be applied, are of major importance in its determination.”

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<sup>135</sup> See s4(4) of The Protection against Unfair Practices (Industrial Property Rights) Act of 2002.

<sup>136</sup> See, for instance, Botswana, the Gambia and Lesotho.

<sup>137</sup> 1981 (2) SA 173 (T). The *boni mores* criterion was later confirmed by the Constitutional Court in *Phumelela Gaming and Leisure Ltd v Gründlingh and Others* (2007 (6) SA 350 (CC)).

### 3. Implementation of Specifically Prohibited Acts

Several countries seek to implement Article 10bis(3) PC through adopting in their respective domestic laws the same or very similar language – this is often the case when the issue of unfair competition is addressed in intellectual property legislation or in specific legislation offering protection against unfair competition.<sup>138</sup> Yet, as mentioned above in section 2.b. of this report, aspects of unfair competition law are also frequently found in other types of legislation, such as consumer protection laws and competition laws. This makes it a complex task to identify the cases of unfair conduct listed in Article 10bis(3) PC in the multi-layered and at times overlapping domestic legal frameworks. The task is further complicated by the fact that relevant case law in most countries remains too scarce to (a) ascertain in which way the domestic protection reflects Article 10bis(3) PC (especially if the language used in domestic statutes differs from Article 10bis(3) PC), and (b) determine the precise scope of domestic protection.

### 4. Additional Acts of Unfair Competition

Paris Union Members are free to go beyond the minimum standard following from Article 10bis PC. Numerous countries have indeed done so and there is quite a range of additional acts of unfair competition that have been identified across those countries.

Some countries extend the categories of false and misleading allegations and indications. For instance, Eswatini's Fair Trading Act outlines further representations that are false<sup>139</sup> and misleading and thus acts of unfair competition. While many of these forms of conduct fall into the ambit of Article 10bis(3) PC, some may go beyond its remit, including:

- false representations made in respect of land (s8);
- false or misleading representations made with respect to offering gifts and prizes (s11);
- supplying or receiving trading stamps (s12);
- bait advertising (s13); and
- prohibiting pyramid schemes (s18).

Another example is Ghana's Protection Against Unfair Competition Act, which lists a number of forms of conduct that go beyond the scope of Article 10bis(3) PC, such as:

- damaging the goodwill of a person or establishment, regardless of whether the practice caused confusion (s2);
- acts that are contrary to national and international obligations/breaches to regional and international treaty obligations (s6).

This said, it is worth noting that especially the following additional acts of unfair competition are recognised in several countries:

- certain uses of geographical indications<sup>140</sup>; and
- the use/disclosure of secret information<sup>141</sup>.

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<sup>138</sup> The following countries are examples of study countries which have provisions in their laws which closely resemble Art 10bis(3) PC: Botswana; the Gambia; Lesotho; Mozambique; Sao Tome and Principe; Sierra Leone.

<sup>139</sup> Similarly, s41 (3) ["False, misleading or deceptive representations"] of South Africa's Consumer Protection Act also contains an extensive list of false, misleading or deceptive representations.

<sup>140</sup> E.g. in Botswana, Liberia and Sao Tome and Principe.

<sup>141</sup> E.g. in Botswana, Mauritius, Ghana, Liberia and Namibia.

## Role of Tort Law

Prior to specifically addressing issues of unfair competition in their statutes, many countries already adapted their existing legal concepts to deal with acts of unfair competition. While most countries now have specific legislation that addresses certain types of unfair competition, tort or delictual law still plays a role – and this is also true for the countries under consideration. Notably, none of those countries has repealed or overruled its previous tort or delictual law of unfair competition with the introduction of more specialised statutes.

In some countries, the tort or delictual law regulating acts of unfair competition is used to interpret the statutory provisions discussed in this report, for example in Ghana and Tanzania. More specifically, in Ghana a court found that a defendant's conduct<sup>142</sup> was contrary to honest industrial or commercial practices, and thus it amounted to an act of unfair competition. And in making this decision, the Court relied heavily on the tort law of passing off.<sup>143</sup> In *Tanzania Cigarette Company Ltd v Mastermind Tobacco*<sup>144</sup>, the Court assessed a claim made under the Fair Competition Act using the tort of passing off, finding that no unfair act was committed.

In other countries, newer statutes exist parallel to tort or delictual law, e.g. in Mauritius and Namibia. As discussed earlier in this report, the law of unfair competition in Mauritius is regulated by The Protection against Unfair Practices (Industrial Property Rights) Act of 2002. In the case of *The Polo/Lauren Company v Regent Ltd & Ors*<sup>145</sup>, for instance, a Mauritian court acknowledged that in addition to common law passing off, there is a statutory passing off through the Unfair Practices Act.<sup>146</sup> The Namibian High Court in *Southern Sun Africa v Sun Square Hotel*<sup>147</sup> dealt with a claim made by a hotel owner that its competitor was using its goodwill in an act of passing-off. The court found for the plaintiff on the principles of the tort (delict) of passing-off, making no mention of either the Trade Practices Act of 1976 or the Industrial Property Act of 2012. By making no reference to the legislation at all, it appears that the tort of passing-off continues to play a prevalent role in Namibian law - one that is not supplementary to statute but runs parallel to it.

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<sup>142</sup> The defendant imported and distributed a herb-liquor in which the plaintiff had the sole agency to distribute.

<sup>143</sup> See *Georgina Achiaa v Don Emilio Company Limited*, Suit No. IPR / 16/ 2010.

<sup>144</sup> Case no. 11 of 2005 in the High Court of Tanzania.

<sup>145</sup> 2004 SCJ 24.

<sup>146</sup> Moreover, in the case of *Emtel Ltd (Emtel) v The Information and Communication Technologies Authority (ICTA) et al* (2017 SCJ 294), the Supreme Court of Mauritius dealt with the exclusivity of a mobile radio cellular telephone service, unfair competition, and the application of tort law in Mauritius. Based on Article 1382 of the Mauritian Civil Code, the Court decided that the respondent was liable in tort for unfair competition. The Court stated that the applicant could not be expected to lower its prices to match the prices of the respondent.

<sup>147</sup> [2018] NAHCMD 105.

## B. AFRICAN INTELLECTUAL PROPERTY ORGANIZATION (OAPI)\*

### 1. Legislative Framework

In OAPI countries there are several competition law legislations. This seems to be the result of a general movement.<sup>148</sup> More specifically, the configuration of the region can help understand this situation. OAPI has seventeen Member States.<sup>149</sup> At the same time, these States are members of other regional organizations, with competition law regulations and policies. Two regional organizations have enacted such general provisions on competition law.

One of these regional organizations is the Economic and Monetary Community of Central Africa (CEMAC),<sup>150</sup> under which a new framework was recently adopted through Regulation n° 06/19-UEAC-639-CM-33 of 7 April 2019 on Competition.<sup>151</sup> The purpose of the Regulation<sup>152</sup> is to define common rules on competition, in order to promote free competition and control or eliminate anti-competitive practices which have the effect of prejudicing trade between Member States, their development or the welfare of consumers.<sup>153</sup> It assembles in one Regulation provisions on anti-competitive agreements, abuse of dominance, mergers,<sup>154</sup> and State aids. The new Regulation makes provision for the establishment of the Community Competition Commission (CCC) within the CEMAC Commission, which is a technical body providing recommendations to the CEMAC Commission.<sup>155</sup> The Regulation is completed by the Directive n° 01-19-UEAC-639-CM-33 of 8 April 2019 related to the institutional framework in CEMAC Member States for the application of regional provisions on competition.

The other regional organization is the West African Economic and Monetary Union (WAEMU-UEMOA).<sup>156</sup> Under this regional framework, several laws organize the competition regime. First, and above all, is the Dakar Treaty of 1994 establishing WAEMU (the WAEMU Treaty). The Dakar Treaty contains provisions on competition. Substantially, these provisions comprise the core competition law interdictions of agreements and abuse of dominant position,<sup>157</sup> and vest the Commission with the competence to enforce the community law.<sup>158</sup> Further

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<sup>148</sup> T. Büthe and V. K. Kigwiru, "The Spread of Competition Law and Policy in Africa: A Research Agenda", *African Journal of International Economic Law*, volume 1 (Fall 2020), 41-83. See also, Baker McKenzie, *Overview of Competition and Antitrust Regulations in Africa*, 2019, Johannesburg, Baker McKenzie, 156, available at: <https://www.bakermckenzie.com/-/media/files/insight/guides/2019/overview-of-competition-and-antitrust-regulations-in-africa.pdf>, consulted on August 2021.

<sup>149</sup> These member States are: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Equatorial Guinea, Gabon, Guinea, Guinea Bissau, Ivory Coast, Mali, Mauritania, Niger, Senegal, and Togo.

<sup>150</sup> CEMAC has six member States: Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon.

<sup>151</sup> Before this unique Regulation, competition law was governed by two main laws: the CEMAC Regulation n° 1/99/UEAC-CM-639 of 25 June 1999 as amended by the Regulation n° 12-05-UEAC-639 of 27 June 2005, and the Regulation no. 4/99-UEAC-639 of 18 August 1999.

<sup>152</sup> Article 2, CEMAC Regulation of 7 April 2019.

<sup>153</sup> The regulatory framework for the protection of consumers is provided under the Directive n° 02/19-UEAC-639-CM-18 of 22 March 2019 Harmonizing the Protection of Consumers within CEMAC.

<sup>154</sup> Tamara Dini, "Merger Notification Under the CEMAC Competition Law Regime", 18 January 2021, [https://www.bowmanslaw.com/insights/competition/merger-notification-under-the-cemac-competition-law-regime/#\\_ftnref4](https://www.bowmanslaw.com/insights/competition/merger-notification-under-the-cemac-competition-law-regime/#_ftnref4), consulted on August 2021.

<sup>155</sup> BOWMANS, *Africa Guide – Competition*, Bowmans Law Firm, 2021, 4. [https://www.bowmanslaw.com/wp-content/uploads/2021/07/Competition\\_Digital.pdf](https://www.bowmanslaw.com/wp-content/uploads/2021/07/Competition_Digital.pdf)

<sup>156</sup> WAEMU comprises eight member States: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

<sup>157</sup> Articles 88 and 89, WAEMU Treaty.

<sup>158</sup> Article 90, WAEMU Treaty. It should be noted that The Court of Justice decided that articles 88–90 of the Dakar WAEMU Treaty pertained to the exclusive competence of the Union and that member States could not exercise shared or concurrent competences in the area of competition. Decision n° 003/2000, 27 June 2000, relating to the interpretation of article 88, 89 and 90 of the UEMOA Treaty: Competition rules, in *Cour de Justice de L'UEMOA Recueil de la jurisprudence de la Cour*, 119–132.

regulations and directives specify the primary competition law<sup>159</sup>. Regulations include: Regulation n° 02/2002/CM/UEMOA of 23 May 2002 relating to anti-competitive practices within WAEMU; Regulation n° 03/2002/CM/UEMOA of 23 May 2002 relating to procedures governing cartels and abuse of dominant position within WAEMU; and Regulation n° 04/2002/CM/UEMOA of 23 May 2002 relating to State aid within WAEMU and on the procedures for applying Article 88(c) of the Treaty. Directives include: Directive n° 01/2002/CM/UEMOA of 23 May 2002 on transparency in financial relations between Member States and public enterprises and between Member States and international and foreign organizations; Directive No. 01/2002/CM/UEMOA of 23 May 2002 relating to cooperation between the Commission and the competition agencies of Member States in applying Articles 88, 89 and 90 of the constituent WAEMU Treaty.

It is interesting to note that all the Member States of WAEMU also have membership of the Economic Community of West African States (ECOWAS).<sup>160</sup> ECOWAS has introduced competition law through ECOWAS Supplementary Act A/SA.1/06/08 of 19 December 2008 on the Adoption of Community Competition Rules and the Modalities of their Application within ECOWAS.<sup>161</sup> The objectives of the Supplementary Act include prohibiting any anti-competitive business conduct that prevents, restricts or distorts competition at regional level and ensuring consumers' welfare. It also provides for the establishment of the ECOWAS Competition Authority to implement Community Standards Competition rules and regulations within the ECOWAS Community. Undoubtedly, making institutional adjustments to facilitate the joint work of the WAEMU and the ECOWAS bodies is one of the major challenges in the regional integration process in West Africa.<sup>162</sup>

Apart from competition rules generated by regional unions, OAPI has its own<sup>163</sup> specific rules on competition law. Indeed, the OAPI legislator considers that it is advantageous to establish "a common system of protection against unfair competition".<sup>164</sup> Hence, the Bangui Agreement on the creation of an African Intellectual Property Organization (OAPI<sup>165</sup>) adopted an Annex VIII related to the "protection against unfair competition".<sup>166</sup>

Regarding national legislations in OAPI countries<sup>167</sup>, competition law and policy implementation vary from one country to another. Some countries have competition law in force and an operational competition authority; others have enacted competition law but have not yet established a competition authority; and others still do not have a competition law or

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<sup>159</sup> M. Bakhoun and J. Molestina, "Institutional Coherence and Effectivity of a Regional Competition Policy: The Case of the West African Economic and Monetary Union (WAEMU)" *Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 11-17*, 2011, 3.

<sup>160</sup> The fifteen Member countries making up ECOWAS are: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

<sup>161</sup> There is also a Supplementary Act No. A/SA.2/06/08 on the Establishment, Function of the Regional Competition Authority for ECOWAS.

<sup>162</sup> UNCTAD, *Preparatory Report for the Ex Post Review of the Competition Policy of the West African Economic and Monetary Union*, United Nations Publications, 2020, 56.

<sup>163</sup> WAEMU as for CEMAC, strictly makes no distinction between anti-competitive practices and unfair competition. Thus, any regulation not contrary with the rules of these regional entity is welcome. Atchiman Joséphine Naara Koutouan, *Contribution à l'étude des droits régionaux de la concurrence en Afrique de l'Ouest : cas de l'union économique et monétaire Ouest-Africaine et de la communauté économique des Etats de l'Afrique de l'Ouest*, thèse de doctorat en Droit, Université de Bordeaux, 2018, 223.

<sup>164</sup> Preamble of The Bangui Agreement.

<sup>165</sup> From its French acronym, Organisation Africaine de la Propriété Intellectuelle. The Bangui Agreement was last amended in Bamako on 14 December 2015.

<sup>166</sup> Annex VIII is one of the four annexes which are in force since the 14 November 2020, in conformity with the *Decision n° 003/OAPI/PCA of 27 October 2020 related to the entry into force of some annexes of the Bangui Agreement, Act of 14 December 2015*.

<sup>167</sup> For some of these countries, see UNCTAD, *Voluntary Peer Review of Competition Policy: West African Economic and Monetary Union, Benin and Senegal*, United Nations, New York and Geneva, 2007.



are still at early stages of preparation of competition legislation.<sup>168</sup> At the same time, where national laws coexist with regional regulations, there is clearly the need to articulate the sphere of action of each institution.<sup>169</sup>

## 2. Honest Practices in Industrial or Commercial Matters

The first Bangui Agreement on the creation of OAPI of 2 March 1977 already included provisions on unfair competition. Those provisions were all in Article 17 of the second title of Annex V related to “trade names and the protection against unfair competition”. This Article considered as unlawful, any act of competition which is contrary to honest practice in industrial, commercial, artisanal or agricultural matters. Paragraph 2 of the same Article enumerated non-limitative acts of competition contrary to honest practice.

It is with the amendment of the Bangui Agreement on 24 February 1999 that a whole Annex, Annex VIII, was totally dedicated to protection against unfair competition.<sup>170</sup> The revised Bangui Agreement of 14 December 2015 has not changed this legal framework substantially.<sup>171</sup>

What can be observed is that the concept of “honest practice” is associated with unfair competition in all Bangui Agreements, as defined in Article 10bis(2) PC. It is always considered that “an act of unfair competition shall be constituted by any act or practice which, in the course of industrial or commercial activities, is contrary to honest practice”.<sup>172</sup> “Industrial or commercial activities” also means activities of the liberal professions.<sup>173</sup> “Practice” means not only an act in the strict sense, but also any omission to perform an act.<sup>174</sup>

The Bangui Agreement 2015 (as the Bangui Agreement 1999) differs from the first Bangui Agreement 1977 in that it clarifies the relationship between general protection against unfair competition and the violation of intellectual property rights. While Annex VIII gives a list of acts considered as acts of unfair competition,<sup>175</sup> it is provided as a general principle that Articles enumerating those acts “apply independently of and in addition to any legislative provision protecting inventions, industrial designs, trademarks, literary and artistic works and other subject matter of intellectual property”.<sup>176</sup> Does this mean that action for unfair competition could be similar to an action for the violation of an intellectual property right?

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<sup>168</sup> See, K. Dawar and G. Lipimile, “Africa: harmonising competition policy under the AfCFTA”, *Concurrences/Competition Law Review*, 2-2020, 244-245.

<sup>169</sup> M. Bakhoun and J. Molestina, “Institutional Coherence and Effectivity of a Regional Competition Policy: The Case of the West African Economic and Monetary Union (WAEMU)” *Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 11-17*, 2011, 3-4; M. S. Gal and I. Faibish Wassmer, “Regional Agreements of Developing Jurisdictions: Unleashing the Potential”, in J. Drexler, M. Bakhoun, E. Fox, M. Gal and D. Gerber, (eds.), *Competition Policy and Regional Integration in Developing Countries*, Edward Elgar, 2012, 311-313.

<sup>170</sup> From only one article in 1977, the revised agreement consecrates 8 articles to the protection against unfair competition.

<sup>171</sup> It should be pointed out that precisions on damages are introduced, with a supplementary article 9 providing clearly that Annex VIII of the Bangui Agreement of 24 February 1999 is repealed.

<sup>172</sup> Article 17(1), Bangui agreement (1977); article 1(1)(a), Bangui agreement (1999); article 1(2)(a), Bangui agreement 2015.

<sup>173</sup> Article 1(1)(b) Annex VIII, Bangui agreement (2015). Liberal professions refer to professions that are not submitted to commercial law. However, they constitute a competition sector because of the existence of clients, and due to the technical means, legal form adopted and the nature of their activities. This might be the case of a structure of legal advice or consultancy. Philanthropic services and structures are excluded from the characterization of liberal professions under this Article.

<sup>174</sup> Article 1(1)(e) Annex VIII, Bangui agreement (2015).

<sup>175</sup> Article 2 to 6, annex VIII, Bangui agreement (2015).

<sup>176</sup> Article 1(3), Annex VIII.

Usually, the violation of an intellectual property right can lead to the exercise of an infringement action. There are no obvious, clear-cut differences between an infringement action based on intellectual property rights and the prohibition of unlawful conduct based on a general unfair competition action.<sup>177</sup> Courts in OAPI Member States have taken different positions in this regard. On one side, it is clear that both actions are not cumulative; a court order addressing unfair competition cannot be based on the same acts or facts justifying an action for the infringement of an intellectual property right. This is the position of the High Court of Douala, deciding in a case<sup>178</sup> that the violation of the Lancôme trademark by Soparca does not constitute an act of unfair competition, because unfair competition means using dishonest acts contrary to commercial practices in order to divert customers. The defendant was thus condemned for counterfeiting under applicable trademark law. On the other side, and contrary to the previous position, it is considered that an action for unfair competition can be introduced, in parallel, based on the violation of intellectual property rights or counterfeiting facts. The High Court of Ouagadougou<sup>179</sup> decided in this sense that, considering that there is a trademark legally registered and protected while another one is not, the second, junior trademark counterfeited the registered, senior trademark by imitating its distinctive features. At the same time, the Court held that this act of counterfeiting constituted unfair competition because it created confusion and was liable to mislead the public.<sup>180</sup> This second position seems to be shared by the majority of courts in OAPI Member States.<sup>181</sup>

The formulation made by the OAPI legislator in Article 1(3) of Annex VIII, and as interpreted by most courts, gives an additional option to a party injured by an intellectual property infringement. Such a party can either introduce a cumulative action for unfair competition and intellectual property infringement, or choose only one or the other of these actions. It is clear, however, that an action for unfair competition can be introduced only on the basis of acts of infringement. Of course, there will be neither double condemnation nor double damages. In any case, action for unfair competition seems to have a larger spectrum of possibilities (it can be introduced both in case of infringement of intellectual property or not) than an action for the infringement of intellectual property rights.

### 3. Implementation of Specifically Prohibited Acts

Article 10bis(3) PC lists specifically three acts of unfair competition. Protection against all these unfair acts is provided mainly by the Bangui Agreement in OAPI countries.<sup>182</sup> It includes protection against confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3).

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<sup>177</sup> J. Schmidt-Szalewski, « La distinction entre l'action en contrefaçon et l'action en concurrence déloyale dans la jurisprudence », *RTD com*, 1994, 455 et s.

<sup>178</sup> T. G. I. DOUALA, jugement civil n° 013 du 6 oct. 1986, *Aff. Lancôme Parfums et Beauté Cie c/ Société Soparca*. Inédit.

<sup>179</sup> TGI Ouagadougou, jugement n° 139/2005 du 23 mars 2005, *Revue Africaine de Propriété Intellectuelle*, n° 4, décembre 2013, 39 et s., Observations Kouliga Nikiéma.

<sup>180</sup> The Court precisely states that : « Attendu en l'espèce que des pièces versées au dossier, les produits de la marque MIMO présentent des similitudes autant sur les inscriptions que sur les couleurs des emballages avec ceux de la marque OMO ; que la marque OMO étant une marque légalement enregistrée et protégée, alors que la marque MIMO ne l'est pas, ces actes d'imitation constituent une contrefaçon, et par la confusion et la tromperie que les produits de la marque MIMO pouvait occasionner au sein du public, ces actes constituent même des actes de concurrence déloyale ».

<sup>181</sup> See also, T.G.I. du Wouri, jugement civil n° 192 du 15 décembre 2000, *Affaire Moulinex S.A. c/ Vapsan Trading Cie, Ets Monique, Sté ONASHI SARL, SOCOPRAMAC*, Observations Ndema Elongué Max-Lambert, in *La Gazelle, Revue Scientifique de la Propriété Industrielle en Afrique*, n° 001, novembre 2007, 57 et s.

<sup>182</sup> I. Zoungrana, *Réflexions autour de la protection des consommateurs de la zone UEMOA dans sa perspective d'intégration économique communautaire : Étude comparative avec le droit européen (Français)*, thèse de doctorat en Droit, Université de Perpignan, 2016, 196-198.

### 3.1 Confusion

The Bangui Agreement qualifies as an act of unfair competition any act or practice which, in the course of industrial or commercial activities, generates or is likely to generate, confusion with the enterprise or activities of another person, in particular with the products or services proposed by such enterprise.<sup>183</sup> This provision is titled “Confusion with Another’s Enterprise or Activities”. It gives examples of issues that could give rise to confusion when imitated in an unfair manner. This includes<sup>184</sup>:

- a trademark, whether registered or not;
- trade name;
- the distinctive sign of an enterprise other than a trademark or a trade name;
- the external appearance of a product;
- the get-up of products or services;
- a famous person or well-known fictional character.

It is important to note that, according to Annex VIII, the trademark must not necessarily be registered. For the purposes of protection against unfair competition, the concept of “trademark” comprises marks relating to products, marks relating to services and marks relating to both products and services.<sup>185</sup> This definition does not aim at changing the concept of trademark in specific trademark legislation. Instead, it seeks to clarify the different types of trademarks that might be affected by acts of unfair competition that cause confusion. Trademarks and the specific legal regime surrounding them are regulated in Annex III of the Bangui Agreement (2015).<sup>186</sup>

When the trademark is registered, it follows from Annex III of the Bangui Agreement (2015) that it can be protected both by an action for counterfeiting and an action against unfair competition. Parties often argue that the confusion created is constitutive of an act of unfair competition.<sup>187</sup> But they do not invoke Annex VIII of the Bangui Agreement, focusing mostly on the violation of trademarks. In all these cases, the appreciation of the confusion is left to the judges. Under the previous Bangui Agreement (1999), a presumption of confusion was established for the benefit of the trademark owner. It was provided that “where an identical sign is used for identical goods and services, a risk of confusion shall be presumed to exist”.<sup>188</sup> This, however, kept intact the power of appreciation of the judges. In several decision, the OAPI High Commission of Appeal (CSR) has either recognized the existence of confusion<sup>189</sup> or not.<sup>190</sup> Against this background, the provision has been abandoned.

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<sup>183</sup> Article 2(1), Annex VIII.

<sup>184</sup> Article 2(2), Annex VIII.

<sup>185</sup> Article 1(1)(d), Annex VIII.

<sup>186</sup> Annex III is titled “Trade Marks and Service Marks”.

<sup>187</sup> See the Decision of the High Commission of Appeal (CSR), Décision OAPI/CSR du 25 avril 2013, *Sur le recours en annulation formé contre la décision n°0033/OAPI/DG/DAJ/SAJ du 06/01/2012 de Monsieur le Directeur Général de l’OAPI portant radiation de l’enregistrement de la marque « YES + Logo » n° 60839.*

<sup>188</sup> Article 7 (2) *in fine*, Annex III, Bangui agreement (1999); OAPI/CSR du 29 avril 2011, *sur le Recours en annulation de la décision n°00210/OAPI/DG/DGA/DAJ/SAJ du 22 Juin 2010 portant radiation de l’enregistrement de la marque « EXCELLENCE » n° 56866.*

<sup>189</sup> High Commission of Appeal, Décision n° 232/OAPI/CSR du 31 octobre 2017, *Sur le recours en annulation de la décision n° 143/OAPI/DG/DGA/DAJ/SAJ du 08 juin 2015 portant rejet de l’opposition à l’enregistrement n° 74288 de la marque « SUPER CLEAN »*; OAPI/CSR du 25 avril 2013, *Sur le recours en annulation formé contre la décision n°0025/OAPI/DG/DGA/DAJ/SAJ du 06 Janvier 2012 de Monsieur le Directeur Général de l’OAPI portant radiation de l’enregistrement de la marque « SINOPEC (stylisé) » n° 60549*; Décision OAPI/CSR du 25 avril 2013, *Sur le recours en annulation formé contre la décision n°0033/OAPI/DG/DAJ/SAJ du 06/01/2012 de Monsieur le Directeur Général de l’OAPI portant radiation de l’enregistrement de la marque « YES + Logo » n° 60839.*

<sup>190</sup> High Commission of Appeal, Décision n° 228/OAPI/CSR du 31 octobre 2017, *Sur le recours en annulation de la décision n° 0265/OAPI/DG/DGA/DAJ/SAJ du 31 décembre 2015 portant rejet de l’opposition à l’enregistrement n°75160 de la marque « LUCA BOSSI + Logo »*; OAPI/CSR du 25 avril 2013, *Sur le recours en annulation formé contre la décision n°0087/OAPI/DG/DAJ/SAJ du 29/06/2011 de Monsieur le Directeur Général de l’OAPI portant rejet de l’opposition à l’enregistrement de la marque « GOLD COW + Logo » n° 58469.*

The amended Bangui Agreement (2015)<sup>191</sup> introduced a specific prohibition of certain acts, when they are liable to create confusion among the public:

- the reproduction, use or affixing of a mark and the use of a reproduced mark for goods or services that are similar to those designated in the registration;
- the imitation of a mark and the use of an imitated mark for goods or services that are identical or similar to those designated in the registration.

When the trademark is not registered, no subjective intellectual property right is recognized. In such a case, the plaintiff can only base a legal action on unfair competition.

The same understanding of confusion applies to other intellectual property rights. In the case of trade names, Annex V of the Bangui Agreement (2015) provides that “it shall be illegal to use on the territory of one of the Member States a trade name registered for the same trade, industrial, craft or agricultural activity as that of the owner of the registered trade name if such utilization is liable to create confusion between the establishments in question”.<sup>192</sup> The prohibition covers any distinctive sign which, in the context of unfair competition, covers the whole range of signs, symbols, emblems, logos, slogans, etc., used by an enterprise in the course of industrial or commercial activities, to lend a certain identity to the enterprise and to the products it manufactures or the services it provides.<sup>193</sup>

### 3.2 *Discrediting and Denigrating Allegations*

Article 10bis(3), no. 2, PC provides that false allegations “in the course of trade of such a nature as to discredit...” shall be prohibited. In line with this international provision, Article 5 titled “disparaging another’s enterprise or activities”, in Annex VIII of the Bangui Agreement (2015), provides that “any false or abusive allegation, in the course of industrial or commercial activities, which discredits or is liable to discredit another’s enterprise or activities, in particular the products or services proposed by the enterprise, shall constitute an act of unfair competition”.<sup>194</sup> The OAPI legislator prohibits not only *false allegations*, but also *abusive allegations*. This goes further than what is strictly expected with regard to Article 10bis(3), no. 2, PC, even if the provision is interpreted as admitting that discrediting allegations which are not strictly untrue may also constitute acts of unfair competition. Thus, in OAPI countries, even a true allegation which discredits or is liable to discredit another’s enterprise or activities is prohibited if it is deemed abusive. This is an application of a golden rule when it comes to advertising: “don’t interfere with your neighbour’s business”.<sup>195</sup>

Disparagement may result from advertising or promotional activities and concern, in particular:

- the manufacturing process of a product;
- the suitability of a product or service for a given purpose;
- the quality, quantity or other characteristic of a product or service;
- the geographical origin of a product or service;
- the conditions under which a product or service is proposed or supplied; and
- the price of a product or service or its method of calculation.<sup>196</sup>

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<sup>191</sup> Article 6 (3), Annex III, Bangui agreement (2015).

<sup>192</sup> Article 5(1), Annex V.

<sup>193</sup> Article 1(1)(g), Annex VIII, Bangui agreement (2015).

<sup>194</sup> Article 5(1), Annex VIII.

<sup>195</sup> M. Chavanne, *Chronique*, (1969) 22 Rev. trim. dr. com. 76, cité par M. Goudreau, « La publicité comparative au Québec : est-ce une faute de comparer ? », *Revue générale de droit*, 17(3), 1986, 464.

<sup>196</sup> Article 5(2), Annex VIII.

### 3.3 *Misleading Indications or Allegations*

The protection against misleading practices in OAPI countries covers any act or practice which, in the course of industrial or commercial activities, misleads or is likely to mislead the public with respect to an enterprise or its activities, in particular the products or services proposed by the enterprise.<sup>197</sup> As in the context of other unfair competition practices, the word “practice” means not only an act in the strict sense, but also any omission to perform an act.<sup>198</sup>

The public may be misled by advertising or promotional activities, particularly with respect to the following elements:<sup>199</sup>

- the manufacturing process of a product;
- the suitability of a product or service for a given purpose;
- the quality, quantity or other characteristic of a product or service;
- the geographical origin of a product or service;
- the conditions under which a product or service is proposed or supplied; and
- the price of a product or service or its method of calculation.

## 4. Additional Acts of Unfair Competition

Beyond the protection prescribed by Article 10bis(3) PC, the OAPI legislator includes additional protection against acts damaging another’s image or reputation (4.1), confidential information (4.2) and disorganization of a competing enterprise and of the market (4.3). The case law of the High Commission of Appeal (CSR) often makes reference also to slavish imitation (4.4).

### 4.1 *Acts damaging another’s image or reputation*

In accordance with Article 3(1) of Annex VIII of the Bangui Agreement (2015), “any act or practice which, in the course of industrial or commercial activities, damages or is liable to damage the image or reputation of another’s enterprise, whether the act or the practice generates confusion or not, shall constitute an act of unfair competition”. Usually, acts damaging another’s image or reputation are the consequences of discrediting and denigrating allegations. Since these acts are prohibited in a different provision,<sup>200</sup> it is assumed that damaging another’s image or reputation can be done without denigrating. The existence of confusion is not relevant. The act of damaging another’s reputation may thus aim at diverting customers without necessarily seeking to claim them exclusively.

Such a damage to another’s image or reputation may result, in particular, from a “weakening of the image or reputation”.<sup>201</sup> The notion is defined in Annex VIII. It means “lessening the distinctive character or advertising value of a trademark, a trade name or other distinctive sign of an enterprise, of the external appearance of a product or of the get-up of products or services, or of a famous person or a well-known fictional character”.<sup>202</sup> The competitive assets enjoying protection are thus the same as in the case of protection against confusion.

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<sup>197</sup> Article 4(1), Annex VIII.

<sup>198</sup> Article 1(1)(e), Annex VIII.

<sup>199</sup> Article 4(2), Annex VIII.

<sup>200</sup> See article 5, Annex VIII, as presented above.

<sup>201</sup> Article 3(2), Annex VIII.

<sup>202</sup> Article 1(1)(a), Annex VIII.

#### 4.2 Confidential information

With the revision of the Bangui Agreement in 1999, OAPI introduced rules for the protection of confidential information. The amended Bangui Agreement of 2015 did not change these rules. Accordingly, any act or practice constitutes an act of unfair competition which, in the course of industrial or commercial activities, leads to the disclosure, acquisition or use by third parties of confidential information without the consent of the person legally entitled to possess such information (“the lawful holder”), in a manner contrary to honest commercial practice.<sup>203</sup> In line with Article 39(3) TRIPS, information shall be considered “confidential” when: (a) in its totality or in the configuration or exact assembly of its elements, it is not generally known to persons belonging to the circles that normally deal with that type of information or is not readily available to them; (b) it has a commercial value because it is confidential; and (c) its lawful holder has taken reasonable precautions, in view of the circumstances, to keep it confidential.<sup>204</sup>

The Bangui Agreement introduces also two specific acts of unfair competition. This relates to any act or practice which constitutes or leads to:

- dishonest use in commerce of confidential data obtained from tests or other confidential data whose production requires considerable effort and which have been communicated to a competent authority for the purpose of obtaining authorization to market pharmaceutical products or chemical products for agriculture comprising new chemical entities;<sup>205</sup>
- disclosure of such data, except where necessary to protect the public or unless measures have been taken to ensure that the data are protected against dishonest use in trade; shall be considered an act of unfair competition.<sup>206</sup>

Acts liable to be considered unfair and involving a third party are enumerated in Article 6(2) of Annex VIII. Thus, the disclosure, acquisition or use of confidential information by a third party without the consent of the lawful holder may, in particular, result from the following acts:

- industrial or commercial espionage;
- breach of contract;
- breach of trust;
- instigation to commit an industrial or commercial espionage or a breach of contract or trust;
- acquisition of confidential information by a third party who knew that such acquisition involved one of the above acts or whose ignorance of that fact constituted gross negligence.

#### 4.3 Disorganization of a competing enterprise and of the market

Any act or practice which is liable to disorganize a competing enterprise, its market or the market of the profession concerned, shall constitute an act of unfair competition.<sup>207</sup> The act or practice needs not to have already produced any effect to be considered as constitutive of unfair competition. It is sufficient for it to have the potential of disorganizing a competing enterprise, its market or the market of the profession concerned.

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<sup>203</sup> Article 6(1), Annex VIII, Bangui agreement (2015).

<sup>204</sup> Article 6(3), Annex VIII.

<sup>205</sup> Article 6(4)(a), Annex VIII.

<sup>206</sup> Article 6(4)(b), Annex VIII.

<sup>207</sup> Article 7(1), Annex VIII, Bangui agreement (2015).

According to Article 7(2) of Annex VIII, disorganization may be achieved by: (a) suppression of advertising; (b) diverting of orders; (c) practicing abnormally low prices; (d) disorganizing the sales network; (e) poaching staff; (f) inducing staff to strike; and (g) failure to comply with the regulations governing exercise of the activity concerned.

Under CEMAC community law, practicing abnormally low prices also falls within the scope of the provisions regulating the abuse of a dominant position. The Regulation of 7 April 2019 on Competition provides that setting prices abnormally high or low in order to block market access for a particular business or product is prohibited.<sup>208</sup>

Regarding the disorganization of the sales network,<sup>209</sup> an Ivorian Court decided in a case that the act of a company which stored intentionally gas cylinders of another competing company during several days and, in this way, prevented the use of those gas cylinders, constituted an act of unfair competition.<sup>210</sup> The Court explained that such an act disorganized the sales network of the competitor because the storage of several cylinders made it impossible for the competitor to satisfy its customers.<sup>211</sup>

Poaching staff<sup>212</sup> is specifically addressed by Labor Law Codes in several countries in the region.<sup>213</sup> Annex VIII provides that poaching “may” disorganize a competing enterprise. To assess whether the conduct amounts to a prohibited act of disorganization, it is necessary to take into account national laws that have further specific this unfair competition action. For example, poaching might be illegal because it causes damage to the competing enterprise, and/or is the result of an abusive breach of contractual obligations.<sup>214</sup>

#### 4.1 *Slavish Imitation*

There is no specific legal provision granting protection against slavish imitation in the Bangui Agreement (2015). Nonetheless, this act of unfair competition is recognized as part of the legal environment.<sup>215</sup> Reference to slavish imitation in OAPI countries also appears in several decisions of the High Commission of Appeal. The High Commission of Appeal decided that the invalidation of a trademark was valid when there was a slavish imitation of an earlier registered trademark, characterized by the fact that similarities of the signs at issue were liable to create confusion among consumers with an average attention, not having both marks under the eyes at the same time.<sup>216</sup> Sometimes, the slavish imitation is not interpreted in this sense.<sup>217</sup> This occurs mainly because the reproduction or the imitation may be so identical to a previous registered sign, that the infringement claim might be raised rather on the validity of the said sign. Also, the legal basis invoked by the claimant is not always slavish imitation. Often, the general rule plays a central role that a mark may not be validly registered if it is identical to a mark that belongs to another owner and is already registered, or to a mark whose filing or priority date is earlier and which relates to the same or similar goods or services, or it so resembles such a mark that it is liable to mislead consumers or cause confusion.<sup>218</sup>

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<sup>208</sup> Article 33.3(i), CEMAC Regulation on Competition.

<sup>209</sup> Article 7(2)(d), Annex VIII.

<sup>210</sup> Tribunal de commerce d'Abidjan, Jugement contradictoire du 31 juillet 2015, *La société AIR LIQUIDE Côte d'Ivoire SA c/ La Société d'oxygène et d'Acétylène de Côte d'Ivoire dite SOA-CI*, (inédit).

<sup>211</sup> *Ibid.* : cet « acte déloyal désorganise le réseau de distribution de la société AIR LIQUIDE en ce sens qu'en raison du stockage de plusieurs de ses bouteilles, celle-ci ne pas peut satisfaire sa clientèle contrairement à la SOA-CI qui, disposant d'une quantité importante de bouteilles, pourra faire face aux besoins de ses clients à elle ».

<sup>212</sup> Article 7(2)(e), Annex VIII.

<sup>213</sup> See for example, article 14 (7), Labor Code in Ivory Coast (Law No. 2015-532 of 20 July 2015); article 57, Labor Code in Senegal (Law No. 97-17 of the 1<sup>st</sup> December 1997).

<sup>214</sup> See the Ivorian and Senegalese laws here above.

<sup>215</sup> L. Ndongwa et L. Talla Fotsing, « Le consommateur camerounais face à la contrefaçon : une approche typologique », *Recherches en Sciences de Gestion*, n° 122, 2017/5, 77-101.

## C. CANADA AND UNITED STATES OF AMERICA\* \*\*

### 1. Legislative Framework

#### 1.1 Commonalities in the Legislative Frameworks in the United States and Canada

The United States and Canada take somewhat of a similar approach to the law of unfair competition and yet reach different results. Of course both countries are party to the recent United States–Mexico–Canada Agreement,<sup>219</sup> which became effective in 2020, but that trade agreement contains no provisions dealing with unfair competition and does not even mention the phrase.

The similarity of the approach may be due in part to the fact that the two countries share many commonalities in their legal systems. Both have federal systems of government whereby laws are made at the national level as well as the state or province level. Both countries are also primarily common law countries with each having just one state or province operating under the civil law system.

Significantly, the United States and Canada also have in common the fact that neither have a federal statute dedicated exclusively to unfair competition law. Both countries address the law of unfair competition through a combination of legal means, but predominantly rely on provisions in their federal trademark acts.

Also in common, both countries' national legislatures are restricted in their authority to legislate in the areas of trademarks and unfair competition. This is in contrast, for instance, with the full legislative power these legislatures have with regard to patents and copyright. The fact that in trademark and unfair competition law, federal regulation must be tied to the commerce power has two significant consequences. First, the scope of protection must be circumscribed so as to only reach acts that trigger the commerce power. And second, it means that in the area of unfair competition law, a space is carved out where the state and provincial legislatures have competence.

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<sup>216</sup> High Commission of Appeal, *Décision n° 0014/18/OAPI/CSR du 9 mars 2018, Sur le recours en annulation de la décision n°0033/OAPI/DG/DAJ/SAJ du 29 avril 2016, portant radiation de l'enregistrement de la marque « FOSTER CLARK'S + vignette » n° 76808 ; Décision n° 192/OAPI/CSR du 23 octobre 2015, Sur le recours en annulation de la décision n°0053/OAPI/DG/DAJ/SAJ du 19 décembre 2014, portant radiation de l'enregistrement de la marque « SADAGHA THE VERT DE CHINE » n° 69086 ; Décision OAPI/CSR du 25 avril 2013, Sur le recours en annulation formé contre la décision n°0033/OAPI/DG/DAJ/SAJ du 06/01/2012 de Monsieur le Directeur Général de l'OAPI portant radiation de l'enregistrement de la marque « YES + Logo » n° 60839 ; Décision OAPI/CSR du 29 avril 2011, Recours en annulation de la décision n° 00210/OAPI/DG/DGA/DAJ/SAJ du 22 Juin 2010 portant radiation de l'enregistrement de la marque « EXCELLENCE » n° 56866.*

<sup>217</sup> *Décision n° 060/CSR/OAPI du 28 octobre 2005, Sur le recours en annulation de la décision n° 0091/OAPI/DG/DPG/SSD/SCAJ du 24 juin 2004 portant radiation de l'enregistrement de la marque « 999LORD KRISHNA PUJA 999 » n° 45924.*

<sup>218</sup> Article 3(b), Annex III of the Bangui agreement (2015).

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\*\* This content expresses the opinion and analysis of the authors. The government of the United States of America has not cleared this content.

<sup>219</sup> Agreement between the United States of America, the United Mexican States, and Canada, Dec. 13, 2019, Office U.S. Trade Rep., <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement> [<https://perma.cc/F2SS-J766>]. The agreement is termed The Canada-United States-Mexico Agreement by the Government of Canada, and The Tratado entre Mexico, Estados Unidos y Canada by the Government of Mexico.



Both countries' trademark laws have evolved from English law and consequently the common law tort of passing off forms the basis of unfair competition protection in each jurisdiction. The English common law of passing off is premised on the principle that a trader should not deceive or mislead consumers by passing off its goods or services as the goods or services of another trader. As such, unfair competition law in both jurisdictions has an impetus to protect traders' goodwill from misrepresentation. While the U.S. and Canada initially modeled their respective laws on English jurisprudence on the law of passing off, the laws developed independently and have evolved into different versions, with Canadian law remaining more consistent with the law's development in the UK. Nevertheless, the English law of passing off continues to underpin unfair competition protection in both countries.

The policy rationale for protection against unfair competition in the United States and Canada is also comparable. Because both countries' unfair competition laws have evolved from passing off principles, in both the law is aimed primarily at the plaintiff-trader, but secondarily at the consumer and broader public. Passing off law seeks to protect against misrepresentation in the marketplace, which negatively affects traders and consumers, but also the broader public by interfering in fair competition. In this way, passing off promotes competitive economic efficiency. But the law is focused on the interests of traders whose pursuit of redress indirectly benefits consumers. Rather than harm to the marketplace, passing off law demands traders prove their injuries, which are to the marketability of their goods or services. When traders pursue their interests in this way, consumers benefit from increased reliability of market information. Thus it can be said that both jurisdictions are interested in protecting competitors from commercial injury from unfair acts, consumers from deceptive trade practices, and the public more generally by preserving fair and undistorted competition.

Second of course to competition, another important policy rationale that undergirds unfair competition law both in the United States and Canada is the freedom of expression. Free speech is strongly protected in both jurisdictions under their constitutions.<sup>220</sup> This principle bears on unfair competition law in that it distinguishes between the value of truthful and false speech, but it also limits the scope of protection in both countries, which can be seen acutely, for instance, in false advertising law.

## 1.2 *The United States*

The United States signed the Paris Convention in 1887, but it is not deemed self-executing in the U.S. The Trademark Act of 1946 ("Lanham Act") is the federal statute that most directly addresses this area of law.<sup>221</sup> The Lanham Act explicitly states its intent „to protect persons engaged in [commerce within the control of Congress] against unfair competition.“<sup>222</sup>

Within the Lanham Act, Section 43(a) is conventionally regarded as the unfair competition provision, however, neither the word "unfair" nor "competition" appear anywhere within the text of that section. Section 43(a) provides for protection against certain unfair competition practices, including passing off, misrepresentation, false designation of origin, and false advertising.<sup>223</sup> Section 43(a)(1)(A) deals with false designation of origin, while Section 43(a)(1)(B) deals with false advertising.

One of the first major revisions of the Lanham Act was the Trademark Law Revision Act ("TLRA") of 1988. Among other changes, the TLRA expanded unfair competition protection in the statute. It enlarged the category of "false representations" to include infringement of common law trademarks and service marks, and trade dress. It also clarified the scope of false

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<sup>220</sup> U.S. Const. amend. I; Canadian Charter of Rights and Freedoms, s 2, Part I of the Constitution Act, 1982, *being* Schedule B to the Canada Act, 1982, c 11 (U.K.).

<sup>221</sup> Trademark Act of 1946 (Lanham Act), Pub. L. No. 79-489, 60 Stat. 427 (codified as amended at 15 U.S.C. §§ 1050-1129).

<sup>222</sup> 15 U.S.C § 1127.

<sup>223</sup> 15 U.S.C § 1125(a).

advertising claims. Under the revised language in Section 43(a) of the Lanham Act, false statements by a competitor about both the plaintiff's products as well as the defendant's can be challenged. Finally, the revision made clear that relief under the remedies provisions in the Lanham Act are available in claims stated under Section 43(a). Section 43(a) focuses on various misrepresentations including source of origin, geographical origin, endorsements, product quality or characteristics.

Other than the intent clause referred to above, the only place that the phrase „unfair competition“ appears in the Lanham Act is in Section 44, where it appears four times.<sup>224</sup> This section can be read to incorporate into the Lanham Act international agreements involving trademark law to which the United States is a signatory nation.<sup>225</sup> Subsection 44(h), using the Paris Convention's language, provides that certain designated persons are entitled to "effective protection against unfair competition," and states that „the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition."<sup>226</sup> Section 44(b) identifies those entitled to the protections of subsection 44(h) as those whose country of origin is a party to any convention relating to trademarks or the repression of unfair competition.<sup>227</sup> In this way, Section 44 of the Lanham Act can be seen to incorporate the Paris Convention's unfair competition provisions.

It should be noted that the U.S. has ratified other treaties whose unfair competition provisions may be incorporated in the same manner. The General Inter-American Convention for Trademark and Commercial Protection,<sup>228</sup> which came into force in the United States in 1931, contains a chapter on unfair competition.<sup>229</sup> That agreement has been held to be self-executing in the United States.<sup>230</sup>

U.S. courts, however, are divided on the issue of whether any substantive treaty rights are incorporated into U.S. domestic law through Article 44 of the Lanham Act,<sup>231</sup> or whether instead Section 44 simply ensures national treatment to treaty beneficiaries.<sup>232</sup> Thus far, U.S. courts have been reluctant to apply unfair competition protections more expansively than is provided in Section 43(a) of the Lanham Act. This may be a result of U.S. courts' reluctance to treat treaties as equivalent to statutory law.

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<sup>224</sup> 15 U.S.C § 1126.

<sup>225</sup> "The intent of this chapter is ... to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations." 15 U.S.C § 1127.

<sup>226</sup> 15 U.S.C. § 1126(h) („Any person designated in subsection (b) of this section as entitled to the benefits and subject to the provisions of this chapter shall be entitled to effective protection against unfair competition, and the remedies provided in this chapter for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition.“).

<sup>227</sup> "Any person whose country of origin is a party to any convention or treaty relating to trademarks, trade or commercial names, or the repression of unfair competition, to which the United States is also a party, or extends reciprocal rights to nationals of the United States by law, shall be *entitled to the benefits of this section* under the conditions expressed herein *to the extent necessary to give effect to any provision of such convention, treaty or reciprocal law, in addition to the rights to which any owner of a mark is otherwise entitled by this chapter.*" 15 U.S.C. § 1126(b) (emphasis added).

<sup>228</sup> General Inter-American Convention for Trade-mark and Commercial Protection, Feb. 20, 1929, 46 Stat. 2907, 124 L.N.T.S. 357.

<sup>229</sup> See Christine Haight Farley, *The Lost Unfair Competition Law*, 110 Trademark Rep. 739 (2020).

<sup>230</sup> *Bacardi Corp. of America v. Domenech*, 311 U.S. 150, 162–163 (1940) (“[t]his treaty on ratification became a part of our law. No special legislation in the United States was necessary to make it effective.”).

<sup>231</sup> See, e.g., *BP Chemicals Ltd. v. Jiangsu Sopo Corporation (Group) Ltd.*, 429 F.Supp.2d 1179, 1188 (E.D. Mo. 2006) (“I conclude that the Lanham Act incorporates the substantive law of the treaties to which it refers, in this case the Paris Convention, and provides foreign nationals the rights available under that treaty“); *General Motors Corp. v. Ignacio Lopez de Arriortua*, 948 F. Supp. 684 (E.D. Mich. 1996).

<sup>232</sup> See, e.g., *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 908 (9th Cir. 2002) (“A foreign national is entitled to the same ‘effective protection against unfair competition’ to which an American is entitled.”); *Eli Lilly & Co. v. Roussel Corp.*, 23 F. Supp. 2d 460 (D.N.J. 1998).

The conclusion that Section 44 only provides national treatment appears to be in conflict with the express language of that section, which extends to foreign nationals treaty rights "in addition to" the rights contained in the Lanham Act.<sup>233</sup> When the treaty right at issue is unfair competition protection in particular, in addition to the national treatment hurdle, some U.S. courts have concluded that even if Section 44 incorporates substantive treaty rights, Article 10bis PC does not create new rights to repress unfair competition because its language is too general.<sup>234</sup> It seems likely that this issue of whether and to what extent Article 10bis PC expands U.S. law concerning unfair competition will continue to develop.

In addition to the Lanham Act, the Federal Trade Commission ("FTC") Act grants the FTC the power to enforce the prohibition of "unfair methods of competition and unfair or deceptive acts or practices in commerce" under Section 5.<sup>235</sup> As with the Lanham Act, Congress did not define "unfair methods of competition" or specify which acts and practices would constitute a violation. Proscribed acts include the failure to disclose pertinent facts, false or misleading description of products, misleading advertisements, and false endorsements. Private parties have no right to sue under Section 5, only the FTC may seek to enforce the law. The FTC has brought limited actions under this power perhaps saving its resources to confront antitrust and other issues that traders and consumers are otherwise powerless to address.

The Food Drug and Cosmetic Act prohibits the misbranding of food, drug, and cosmetics.<sup>236</sup> Prohibited acts include using a false or misleading label as well as use of a label that does not contain the required information, such as directions for product use or warnings about potential health dangers.

In addition to these and other federal statutes, there are also state and common law unfair competition protections. Common law unfair competition law tends to parallel Lanham Act Section 43(a) jurisprudence. The Lanham Act does not preempt state and common law equivalent claims. State and common law unfair competition claims are often made as claims pendant to claims under the Lanham Act.<sup>237</sup> Most often, however, these cases are decided under federal law alone.

The Uniform Deceptive Trade Practices Act (UDTPA), which has been enacted in 12 states, tracks the protections in Section 43(a) of the Lanham Act fairly closely. It codifies the common law of unfair competition and makes actionable the commission of a "deceptive trade practice" in the states that have adopted it. Prohibited practices include passing off, causing likelihood of confusion or of misunderstanding as to source, sponsorship, approval, or certification of goods or services, using deceptive representations or designations of geographic origin, disparaging the goods of another.

Other state unfair competition statutes are modelled on Section 5 of the FTC Act. In addition to stand alone false advertising statutes, the majority of states address the misappropriation of the right of publicity through statutory law.

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<sup>233</sup> 15 U.S.C § 1126(b).

<sup>234</sup> See, e.g., *BP Chemicals Ltd. v. Jiangsu Sopo Corporation (Group) Ltd.*, 429 F.Supp.2d 1179, 1188 (E.D. Mo. 2006) (holding that "the Lanham Act, even in conjunction with the Paris Convention, does not provide a federal cause of action for trade secret misappropriation.").

<sup>235</sup> 15 U.S.C. § 45.

<sup>236</sup> 21 U.S.C. ch. 9 § 301 et seq.

<sup>237</sup> Section 1338(b) provides: "The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trademark laws." 28 U.S.C. § 1338(b).

### 1.3 Canada

Canada ratified the Paris Convention in 1925, the same year, but before Article 10bis PC was revised. As in the U.S., the Paris Convention does not have the force of law in the Canadian legal system without implementing legislation.

The common law tort of passing off undergirds Canadian unfair competition law. Following English law, the law of passing off in Canada today generally requires evidence of plaintiff's goodwill, a misrepresentation that is likely to cause consumer confusion, and a likelihood of damage to plaintiff. As with Lanham Act Section 43(a) in the U.S., the focus of the tort is on misrepresentation.

Just as U.S. law protects against classic passing off, but also extends beyond by including language in Section 43(a) addressing confusion "as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person," Canadian passing off law has also come to protect a similar range of broadened confusion under its unfair competition law.

Section 7 of the federal Trademarks Act of Canada sets out the most recent federal codification of the substantive equivalent of the law of passing off.<sup>238</sup> Section 7 is appropriately subtitled "Unfair Competition and Prohibited Signs." The current Trademarks Act is the successor to the earlier 1932 Unfair Competition Act, which interestingly was in fact the Canadian trademark act. Like its U.S. analog, Section 43(a) of the Lanham Act, Section 7 of the Canadian Trademarks Act offers federal recourse for unregistered marks that are used in commerce.

Within Section 7 of the Trademarks Act, subsections 7(b) and 7(c) are most significant. Subsection 7(a) can be understood as providing a cause of action for the common law tort of injurious falsehood. Taken together, subsections 7(b) and 7(c) offer relief for various forms of passing off. Subsection 7(d) appears to provide a claim for the common law tort of deceit.

The Trademarks Act had contained an additional subsection—7(e)—that was repealed in 2014.<sup>239</sup> Significantly, that subsection contained language closely modelled on Paris Convention Article 10bis(2) PC, namely: "do any other act or adopt any other business practice contrary to honest industrial or commercial usage in Canada."

Subsection 7(e) prompted a series of cases challenging its constitutionality. Ultimately, in *MacDonald v. Vapor Canada*, the Canadian Supreme Court declared subsection 7(e) to be unconstitutional because it was enacted outside the powers of the federal legislature.<sup>240</sup> That case involved claims of breach of contract and trade secrets misappropriation.<sup>241</sup> These areas of law, and the object of subsection 7(e), are torts cognizable in provincial courts and as such are beyond the competence of the Parliament of Canada.

Although subsection 7(e) has since been repealed, the decision is still relevant for determining the scope of protection offered under the other subsections of Section 7. The Supreme Court was generally dubious of Section 7 on the whole, but ultimately held that the other subsections survived constitutional analysis. What saved the other subsections was their connection to the federal IP scheme and trademark law in particular. The Court thus effectively narrowed the interpretation of Section 7 by ensuring that the unfair competition claims made under it bear

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<sup>238</sup> R.S.C., 1985, c. T-13.

<sup>239</sup> R.S., 1985, c. T-13, s. 7; 2014, c. 32, ss. 10, 53, 56(F)

<sup>240</sup> (1977) 2 S.C.R. 134 ("Since s. 7(e) is not a trade mark provision, its inclusion in the Trade Marks Act does not stamp it with validity.")

<sup>241</sup> *Id.*

some relation to trademark protection.<sup>242</sup> The Canadian Supreme Court again addressed the constitutionality of Section 7 in *Kirkbi AG v. Ritvik Holdings Inc.*, where it held that in particular subsection 7(b) is constitutional because it directly related to the federal scheme of protecting trademarks.<sup>243</sup> This decision suggests an obligation for the claimant to connect its passing off claim to a trademark. As a result of the decisions in *MacDonald* and *Kirkbi*, claimants seeking protection against unfair competition not connected with a quasi trademark right, must assert such claims under the statutory or common law of the provinces.

Subsection 7(a) can be used as a vehicle to assert trade libel claims. The plaintiff is not required to prove malice or bad faith to succeed on such a claim. A trade libel claim under subsection 7(b), however, does require the presence of competition, an objective false or misleading statement, a likelihood of discrediting the plaintiff, and a likelihood of damage to the plaintiff. The plaintiff must also demonstrate that it is identifiable in the defendant's statement, although it may be identifiable just by implication.<sup>244</sup>

Subsection 7(b) is the vehicle for a passing off claim. As already indicated, such a claim must involve either a registered or common law trademark for constitutional reasons. One can assert a trade dress claim under subsection 7(b) so long as the trade dress has acquired secondary meaning. Subsection 7(b) claimants must also identify marks that are in the course of trade. Subsection 7(b) contrasts with common law passing off claims, which do not require a valid trademark, only the presence of goodwill, and the course of trade can be intra-province.

Under Section 7, a claimant must prove damage or likely damage that is real and substantial. A successful claimant can recover damages and lost profits and injunctions are available as a remedy.

Similar to the U.S., Canada has a Competition Act,<sup>245</sup> which deals mainly with antitrust law, but in Section 52(1) prohibits false advertising. The act contains both criminal and civil offenses for false advertising. As in the U.S., Canada has several federal statutes and regulations that address false advertising, but the Competition Act deals most comprehensively with this area of unfair competition protection. Any representation that is false or misleading in a material respect is subject to the Act. The materiality requirement is met by a showing that a consumer would be motivated to make the purchase based on the representation. In addition to criminal charges, the civil provisions specifically prohibit unsubstantiated performance representations, misleading warranties, false, misleading or unauthorized testimonials or test results, bait and switch selling, sales above the advertised price, and contests that do not disclose required information.

Canada also has a federal Food and Drug Act, which regulates pharmaceutical and food labelling and advertising.<sup>246</sup> Statements on labels or in advertising must not be false or misleading about the quality or characteristics of the products, and statements about performance or efficacy must be substantiated.

Like the U.S., unfair competition protection is also addressed at the province level. Some provinces have detailed laws protecting against unfair competition. For example, Part III, of the Ontario Consumer Protection Act protects individual consumers from certain unfair competition practices. In addition to a consumer protection act, Quebec also has article 1457 of the *Civil Code of Quebec*, which provides a statutory equivalent to the common-law tort of passing off.

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<sup>242</sup> *MacDonald v. Vapor Canada*, (1977) 2 S.C.R. 134 (holding that Section 7 is saved "in so far as it may be said to round out regulatory schemes" related to trademark protection.).

<sup>243</sup> (2005), 43 C.P.R.4th 385 (S.C.C.).

<sup>244</sup> *UL Canada Inc. v. Procter & Gamble Inc.*, (1996), 65 C.P.R. (3d) 534 (Ont. Gen. Div.).

<sup>245</sup> R.S.C. 1985, c. C-34.

<sup>246</sup> R.S.C. , 1985, c. F-27.

## 2. Honest Practices in Industrial or Commercial Matters

### 2.1 *The United States*

The Lanham Act does not define unfair competition, nor does it use the phrase “honest practices in industrial or commercial matters.” The legislative history and common law jurisprudence of U.S. unfair competition law is replete with statements to the effect that it is impractical to attach a definition to the terms of art used in this area. Instead, it is preferable to keep the concept flexible so that it may be effective in addressing changing markets and business practices.

While the U.S., does not permit a cause of action simply against an „act of competition contrary to honest practices in industrial or commercial matters,“ in all other claims of unfair competition, U.S. subscribes to an economic approach, rather than a normative or empirical approach to determining liability. Section 43(a) of the Lanham Act targets use of a designation or a false designation of origin that is likely to cause actionable confusion and false or misleading descriptions or representations of fact. The Section requires a demonstration that the plaintiff is likely to be damaged. That is, a plaintiff must show economic or reputational injury resulting from the defendant's deception. Typically, courts conclude that that occurs when deception of consumers causes them to withhold trade from the plaintiff.

### 2.2 *Canada*

Canadian law also does not define the operative terms of unfair competition law. In contrast with the U.S., however, Canadian federal law had provided a cause of action for violations of “honest practices” in Subsection 7(e) of the Trademarks Act. Since that provision has now been repealed (see preceding section), there is no extant legal doctrine associated with that phrase.

Like the U.S., Canadian case law is mostly focused on an economic approach to resolving unfair competition claims. Evidence of this may be seen in the law's insistence on proof of economic harm to the claimant. Section 7 of the Trademarks Act requires actual or a likelihood damage caused by the deception. Damages may be shown as lost profits, loss of market share, or loss of control of a trade mark or trade name.

## 3. Implementation of Specifically Prohibited Acts

### 3.1 *The United States*

The acts that should “in particular” be prohibited in accordance with Article 10bis(3) PC all seem to track the protections found under Section 43(a) of the Lanham Act. Section 43(a), however, may be slightly more limited in its reach.

Section 43(a)(1) contains three relevant limitations. First, Section 43(a) claims, like all Lanham Act claims must be directed at acts that are “in commerce,” namely interstate commerce, foreign commerce, or commerce with an Indian tribe. Purely intra-state commerce, like noncommercial activity, is excepted. In such a case, protection may be possible under state unfair competition legislation or common law. Second, prohibited acts must be “in connection with any goods or services.” Finally, prohibited acts must involve a sign (“word, term, name, symbol, or device, or any combination thereof”), a false designation of origin, or a false or misleading description or representation of fact.

With regard to the unfair conduct listed in Article 10bis(3), No. 2 PC, Section 43(a)(2) is the closest corollary. In addition to the already stated restrictions above, this provision also contains mandates that the prohibited acts involve “commercial advertising or promotion.” An

act prohibited under this Section must also “misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities.”

Certain restrictions that are present in Article 10bis(3) PC are not found in Section 43(a) of the Lanham Act. For instance, under Section 43(a)(1), a false or misleading description or representation need not specifically “discredit” another as in Article 10bis(3), No. 2 PC. It will be actionable so long as the description or representation damages them in some unspecified manner. Furthermore, unfair competition under Section 43(a) need not involve “a competitor.”

Section 43(a) also requires that a prohibited act likely cause confusion, mistake, or deception “as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person.” This language may be broader than the simple reference to “confusion” in Article 10bis(3), No. 1 PC.

### 3.2 *Canada*

Section 7 of the Canadian Trademarks Act tracks Article 10bis PC even more closely than does Article 43(a) of the Lanham Act in the U.S. Article 10bis(3), No. 1 PC matches up with subsection 7(b) of the Trademarks Act where the focus of both provisions is on the likelihood of confusion. Subsection 7(b), however, may be narrower than Article 10bis(3), No. 1 PC because it includes the unusual element of the offender bringing “direct public attention” to their goods, services, or business “so to direct attention to them.” Subsection 7(c) of the Trademarks Act, which provides for passing off claims, may also address the acts indicated in Article 10bis(3), No. 1 PC.

Article 10bis(3), No. 2 PC matches up with subsection 7(a) of the Canadian Trademarks Act where both provisions are directed to false statements that “discredit” the business of a competitor. Article 10bis(3), No. 2 PC speaks of the acts “nature to discredit” whereas subsection 7(a) indicates acts “tending to discredit.” It is possible therefore that subsection 7(a) states a higher burden of proof.

Article 10bis(3), No. 3 PC matches up with subsection 7(d) of the Trademarks Act where both describe misleading statements about the quality or characteristics of goods. Whereas Article 10bis(3), No. 3 PC mentions only goods, subsection 7(d) also includes services. In another respect, however, subsection 7(d) may state a requirement absent in Article 10bis(3), No. 3 PC. Subsection 7(d) requires that the misstatement be “material”, meaning that they would be likely to influence a consumer into buying or using a product or otherwise altering their conduct.

## 4. Additional Acts of Unfair Competition

### 4.1 *The United States*

U.S. unfair competition law has expanded beyond passing off in both statutory and common law. Section 43(a) of the Lanham Act provides a federal forum for challenging myriad acts of unfair competition such as infringement of unregistered trademarks, trade dress infringement, passing off and reverse passing off,<sup>247</sup> false advertising, right of publicity violations, the unauthorized commercial use of fictional characters, false attributions of authorship, the use and sale of counterfeit goods by licensees, and unauthorized importation of grey market goods. the post-sale context.

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<sup>247</sup> Reverse passing off occurs when a person removes the original trademark and resells the goods.

TRIPS Article 39(1) indicates that to ensure effective protection against unfair competition “as provided in Article 10bis,” Members are obligated to protect “undisclosed information ... and data submitted to governments or governmental agencies.” While trade secrets are now protected by both state and federal law in the U.S., they are not protected under federal unfair competition law. Trade secret protection both under state and common law and the federal Defend Trade Secrets Act of 2016<sup>248</sup> provide a private civil cause of action for the misappropriation of a trade secret. A trade secret is information that has either actual or potential independent economic value by virtue of not being generally known, has value to others who cannot legitimately obtain the information, and is subject to reasonable efforts to maintain its secrecy.

Although Section 43(a) of the Lanham Act is explicitly focused on the use of false designations of origin and false descriptions of representations, some courts have used these provisions to cover a wider variety of commercial torts. Nevertheless, to date, courts have not applied Section 43(a) to the full panoply of unfair trade practices. Thus, unfair trade practices such as commercial bribery, price fixing, and trade secret misappropriation have not been successfully litigated under Section 43(a).

At least two cases have squarely raised the question of achieving trade secrets protection under federal unfair competition law. *Eli Lilly & Co. v. Roussel Corp.*,<sup>249</sup> involved the filing of false and misleading information to gain approval of a drug with the Food and Drug Administration. The plaintiff sought relief under Article 10bis PC via the incorporation of this provision, by reference, in Section 44 of the Lanham Act (see section 1.2 above), but the court declined to go beyond Section 43(a). *General Motors Corp. v. Ignacio Lopez De Arriortua*,<sup>250</sup> involved misappropriation of trade secrets. That court, in contrast, held that the Lanham Act did incorporate „the substantive provisions of the Paris Convention“ including Article 10bis PC. Although the viability of Section 44 may see future litigation, now that, since 2016, trade secrets are protected under the federal Defend Trade Secrets Act,<sup>251</sup> there is not likely to be more litigation of substantive treaty rights involving the protection of trade secrets.

Trade dress and non-traditional marks, including those that are visually perceptible, are provided strong protection under Section 43(a) of the Lanham Act. And although the right of publicity is not protected by federal law in the U.S., it enjoys robust protection under state statutory and common law.

## 4.2 Canada

Section 7 of the Canadian Trademarks Act provides protection to unregistered marks including trade dress so long as it has acquired secondary meaning.

Interestingly, a trade libel claim under subsection 7(b) has been successfully used against the threat of a lawsuit over IP infringement.<sup>252</sup> The rationale was that an accusation of infringement damaged the reputation of the business.

Unlike the Lanham Act, the Canadian Trademarks Act also has a section devoted to the protection of geographical indications (GIs). It protects GIs with respect to wines and spirits, agricultural products, and food. The Act prohibits the adoption and use of a protected GI, including translation in any language, if the goods do not originate in the territory or, if they do, are not produced according to the territory’s standards.

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<sup>248</sup> Defend Trade Secrets Act, Pub. L. 114-153, [130 Stat. 376-386 \(2016\)](#).

<sup>249</sup> 23 F. Supp. 2d 460 (D.N.J. 1998).

<sup>250</sup> 948 F. Supp. 684 (E.D. Mich. 1996).

<sup>251</sup> 1 S. 1890, 114th Cong. (2015-2016).

<sup>252</sup> *Rowell v. S & S. Industries Inc.*, (1966) S.C.R. 419, 56 D.L.R. (2d) 501, 48 C.P.R. 193 (S.C.C.).



This protection is subject to specified exceptions. For instance, there are exceptions for prior use for certain indications, for acquired rights, and for certain terms considered to be generic. Protection is also limited use of a GI in the same category, thus “Bordeaux” can still be used for a product like crackers.

Publicity rights are also protected in Canada under the statutory and common law of the provinces. The common law protection is known as the tort of misappropriation of personality. These laws provide certain individuals with the right to control the commercial use of their name, image, voice, likeness, and signature. Although the tort of misappropriation of personality was recognized due to the difficulty plaintiffs had with passing off claims that required plaintiffs share a common field of activity with defendants, that requirement has been relaxed such that a false endorsement claim can now be brought.

## D. CARIBBEAN REGION\*

### 1. Legislative Framework

While some of the countries of the Caribbean have addressed unfair competition with the passing of specific legislation which affords the protection required in accordance with Article 10bis(1) PC, the majority of countries do not have specific unfair competition legislation.<sup>253</sup> Instead, they utilise their consumer protection legislation as a form of protection against unfair competition. With its focus on the interests of consumers, the consumer protection legislation may provide less broad protection than more general protection against unfair competition acts geared towards safeguarding the “fair play” between competitors. The protection afforded by the consumer protection legislation is however bolstered in some countries by the tort of passing off.

Belize and Dominica have neither the specific legislative framework nor the tangential protection afforded by consumer protection legislation. These two countries rely on the protection afforded by their intellectual property legislation.<sup>254</sup> Antigua and Barbuda have no specific competition legislation. However, their Geographical Indications Act of 2003 allows for any interested person or group of producers or consumers to initiate proceedings in court so as to prevent misleading the public or unfair competition, with respect to geographical indications. This is in addition to protection afforded by the general tort of passing off.

Protection against unfair competition was afforded through the tort of passing off in the English speaking Caribbean prior to the passing of specific Protection Against Unfair Competition Acts or Consumer Protection Acts. For the success of a passing off case a claimant must show that: (1) the claimant has built some form of goodwill or reputation in the market; (2) there has been some form of misrepresentation by the defendant in the market; and (3) there has been damage to the claimant as a result.

The various countries<sup>255</sup> which have Protection Against Unfair Competition Acts have protection for both the competitors and the consumers. The protection for competitors is seen in the provisions which address creating confusion and discrediting, while the provisions which address misleading acts afford protection to both competitors and consumers.<sup>256</sup>

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<sup>253</sup> St Vincent and the Grenadines, Jamaica, Guyana, Bermuda, Grenada, St. Kitts and Nevis and the Bahamas

<sup>254</sup> Belize Trade Marks Act Chapter 257 of the Substantive Laws of Belize, Revised Ed. 2000; Marks, Collective Marks and Trade Name Act 1999 of the Laws of Dominica

<sup>255</sup> Anguilla, Barbados, Trinidad and Tobago, St. Lucia

<sup>256</sup> International Bureau of WIPO, Protection Against Unfair Competition, WIPO Pub. No. 725(E) (1994).

On the other hand, in the countries which have only Consumer Protection Acts<sup>257</sup> the focus of this specific legislation is on the protection of consumers.

The rationale for laws protecting unfair competition in the various countries is also seen in case law:

- *Protection of the Consumers*: this protection was illustrated by the Guyanese case of *Mazawattee Tea Co Ltd v Psaila Ltd*<sup>258</sup> where it was held by Berkeley J that the get up of the defendant's product was so similar to that adopted by the plaintiffs that it is calculated to deceive illiterate persons [...] who are unable to read or understand English. They might have very well taken the defendant's tea in the belief that they were purchasing that of the plaintiffs. They might have very well taken the defendant's tea in the belief that they were purchasing that of the plaintiffs.
- *Protection of the Competitors*: this protection was seen in the Bahamian case of *Lyford Cay Company Ltd v Lyford Cay Real Estate Company Ltd*<sup>259</sup> where the claimant had a right to rely on passing off where the defendant by the use of the same company name as the claimant, caused confusion in the minds of the relevant public. However, whilst they would have been successful on the point of the passing off, the claim still failed based on the doctrine of estoppel.

## 2. Honest Practices in Industrial or Commercial Matters

The various Protection Against Unfair Competition Acts in the English-speaking Caribbean generally provide that "acts and practices ... in the course of industrial or commercial activities, that are contrary to honest practices shall constitute acts of unfair competition<sup>260</sup>." The Acts then go on to specify "acts and practices"<sup>261</sup> which constitute unfair competition and therefore are, by default, the antithesis to "honest practices in industrial and commercial practices" in the sense of Article 10bis(2) PC. While particular acts are specified, a definition of the phrase "contrary to honest practices in the course of industrial or commercial activities" is not provided in the legislation.

Jurisdictions such as Anguilla, Trinidad and Tobago and St. Lucia share similarly worded provisions. The Protection Against Unfair Competition Act in Barbados is worded differently although it states similar acts and practices constituting unfair competition.

The legislation of most territories provide criminal sanctions for acts of unfair competition or trade practices while the legislation of Barbados and Anguilla, provides civil remedies or both. The need to balance the rights of market competitors with the internationally accepted standards is understood to require that a broad approach be taken to the interpretation of "honest practices."

The long title in the PAUCA of Barbados provides that the Act is to "provide protection against unfair competition in order to fulfill the obligations of Barbados under the Agreement on Trade-Related Aspects of Intellectual Property Rights of the World Trade Organisation." The judge in *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others*<sup>262</sup> stated that "T&T was a signatory to the Paris Convention and that the (PAUCA) Bill was brought forward for reasons

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<sup>257</sup> Jamaica, Dominica,

<sup>258</sup> [1925] LRBG 56,

<sup>259</sup> BS 1989 SC 53.

<sup>260</sup> Barbados, Protection Against Unfair Competition Act Chapter 329A Section 4(1)(a); Trinidad and Tobago Protection Against Unfair Competition Act Chapter 82:36 Section 4(1); St. Lucia Protection Against Unfair Competition Act 2001 Section 4(1)

<sup>261</sup> Referenced further in the article below.

<sup>262</sup> [2010] EWHC 774 (Ch).

which included a wish to give effect to T&T's international obligations under the Convention." However, as revealed in the Parliamentary debates surrounding the PAUCA of Trinidad and Tobago, the interpretation of the Act is dependent on the judiciary. The Act has not been regularly contested and so its interpretation is still to be explored.<sup>263</sup>

The case *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others*,<sup>264</sup> concerned contract and telecommunication breaches by Digicel in St. Lucia, Barbados, Grenada, Trinidad and Tobago, St. Vincent and the Grenadines, and provided a definition of honest practices. The judge's approach in the case was a flexible approach to the concept of "honest practices" to capture a wide range of acts or omissions which constitute "unfair competition." This is necessary to capture any outliers not mentioned in the Acts or variations in wording. The Court did not adopt case law which placed a limitation on the interpretation but also considered the drafting style of the Act, the arguments in Parliament before the enactment of the Act, and business/sector specific tradition or accepted conduct.

At paragraph 474 of the judgement, it was stated that in looking at the ordinary meaning of the words contrary to honest practices is:

[L]imited to acts or omissions which involve dishonesty.... Accordingly, the phrase refers to any act in the course of industrial or commercial activities which involves dishonesty, in accordance with the meaning of that word given in *Royal Brunei Airlines Sdn Vhd v Tan*<sup>265</sup>

The judge also referred to the case *Reed Executive Plc v Reed Business Information Limited*,<sup>266</sup> where Jacob LJ referred to the case *Gerolsteiner Brunnen v Putsch*<sup>267</sup> and stated that "the condition of honest practices constitutes in substance the expression of a duty to act fairly in relation to legitimate interests of the trademark owner."<sup>268</sup> The test is for the national court to carry out an overall assessment of all the circumstances and in particular to assess whether the defendant "might be regarded as unfairly competing with the proprietor of the trademark."<sup>269</sup>

The aforementioned is contrary to the position of the courts regarding the tort of passing off. The court does not concern itself with the moral perspective and the need to prove fraud, dishonesty, or an intention to deceive or confuse consumers. Rather, the court concerns itself with whether the key elements of passing off are present. This is the position taken by the judges in some cases referenced in the Digicel case (supra).<sup>270</sup> The judge in the Digicel case also explored the objective or moralistic approach to "honest practices" and spoke extensively to European and UK authorities which also approached the interpretation from a moral perspective.<sup>271</sup>

It appears that the court seems to consider the intention and actions of the competitor as well as the practices within the industry and the consumers to determine whether an act is "contrary to honest practices."

The judge found the moralistic approach to be quite wide and concluded that "contrary to honest practices" would prohibit a vast range of behaviours which would be unfair considering "the legitimate interests involved in the commercial activities in question."<sup>272</sup> As such, the judge

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<sup>263</sup> *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others* [2010] EWHC 774 (Ch) para 470  
<sup>264</sup> [2010] EWHC 774 (Ch).

<sup>265</sup> *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others* [2010] EWHC 774 (Ch) para 474

<sup>266</sup> [2004] RPC 40.

<sup>267</sup> [2004] RPC 39.

<sup>268</sup> *Id.*, para. 23.

<sup>269</sup> *Id.* para. 26.

<sup>270</sup> [2010] EWHC 774 (Ch).

<sup>271</sup> *Cable & Wireless Plc v British Telecommunications Plc* [1998] FSR 383; *L'Oreal v Bellure* [2007] EWCA Civ 968; *Hotel Cipriani v Cipriani (Grosvenor Street) Limited* [2008] EWHC 3032 (Ch). At [143]

<sup>272</sup> *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others* [2010] EWHC 774 (Ch) para 470

stated that the phrase “contrary to honest practices” refers to acts or omissions which involve dishonesty. This was not limited to the subjective perspective of the competitor but an objective approach.

It appears that the court will, nevertheless, enrich the analysis with empirical insights and consider the attempts of the infringing party in ensuring that his behaviour is not careless. The distinction between careless behaviour and dishonest behaviour implies that a defence arises which protects market competitors who take steps to avoid what is considered to be “dishonest behaviour.” Therefore, a flexible approach in the interpretation of the term “honest practices” prevails. The courts will consider any form of dishonesty but will look to the market practices to ensure that there is a balance of the interests of all stakeholders concerned.

The Protection Against Unfair Competition Acts also define “industrial and commercial activities” to include the activities of professional and other such persons. Barbados goes further to include in its definition of “industrial and commercial activities” “enterprises or services, in particular the buying and selling of such products and services.” Therefore, the definition extends to both business and consumer relationships and competitor and competitor relationships. The authorities also establish that “infringing behaviour” could extend to a series of acts or a single act which does not continue, and which is not repeated.<sup>273</sup>

The Court also considered the concept of a “prima facie case” being established.<sup>22</sup> However, the burden of proof which has to be satisfied is uncertain. This is integral due to the criminal liability which is provided for in some Acts<sup>23</sup> in the various territories.

The case law and learning on the interpretation of the concept of “contrary to honest practices” in the Caribbean is limited. Therefore, in the Caribbean much of the learning is adopted from the persuasive authority from other jurisdictions.

### 3. Implementation of Specifically Prohibited Acts

The specifically prohibited acts found in the Unfair Competition Acts<sup>274</sup> of Barbados, Trinidad and Tobago, St. Lucia, and Anguilla include acts which

- cause or are likely to cause confusion with respect to another person’s enterprise or activities; products or services offered by such person;
- damage or are likely to cause damage to the goodwill or reputation of another person’s enterprise whether or not it causes confusion;
- mislead or are likely to mislead the public with respect to an enterprise or its activities, products or services offered by such person; and
- constitute false allegations or indications which may discredit or is likely to discredit another’s enterprise or its activities.

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<sup>273</sup> *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others* [2010] EWHC 774 (Ch) para 447

<sup>22</sup> *Digicel (St Lucia) Ltd and others v Cable & Wireless plc and others* [2010] EWHC 774 (Ch) para 431

<sup>23</sup> Barbados Protection Against Unfair Competition Act Section 4(3) and (4)(4): “Any officer of the competent authority who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of \$10 000 or to imprisonment for a term of 2 years or to both such fine and imprisonment.

(4)The prosecution of a criminal charge against a person pursuant to this section does not affect the institution of civil proceedings in the High Court against that person.”

Grenada Consumer Protection Act 2018; section 74(9)

<sup>274</sup> The Protection against Unfair Competition Act Chap. 82:36 Trinidad and Tobago; Protection Against Unfair Competition Act Cap 329A Barbados; Protection Against Unfair Competition Act Cap P112 Anguilla; Protection Against Unfair Competition Act Chapter 13.38, of 2001 St Lucia.

The aforementioned acts are analogous to the prohibited acts outlined in Article 10bis(3) PC.

The Unfair Competition Acts<sup>275</sup> explain that misleading the public may arise out of an advertisement or promotion with respect to the manufacturing process of a product or service, their suitability for a particular purpose, their quality, quantity or other characteristics, their geographical origin and their price or the manner in which it is calculated.

Furthermore, in the Unfair Competition Acts<sup>276</sup>, an act of unfair competition which may cause or is likely to cause confusion or damage may occur with respect to the trade name, trademarks of the business, presentation of the products or services, the appearance of a product, a business identifier other than a trade mark and the association of a product, service or activity with a celebrity or well-known fictional character.

Presently, there appears to be only one case in the English speaking Caribbean that interprets a specially prohibited act in the Protection Against Unfair Competition legislation, namely *Free Telecom Incorporated (t/a Flow (Barbados), Flow Communications, Flow Talk, Flow Internet, Flow tv and Flow Mobile) and Vet2vu (Barbados) Incorporate (t/a Flow (Barbados), Flow Communications, Flow Talk, Flow Internet, Flow YV and Flow Mobile v Tele (Barbados) Incorporated*.<sup>277</sup> In this case, the claimant argued that confusion had arisen and was likely to arise between its telecommunication company which trades as “FLOW” and the use of “FLOW” by the defendant in the same field. Justice Cornelius stated that even though the claimant must only establish that confusion “is likely” to arise with its “enterprise, activities and to the product or services,” we can infer that it is possible that “enterprise and activities” provide a wider scope than the tort of passing off. However, there still needs to be evidence of confusion, other than the mere fact that the two entities are using the same name in the marketplace.

Moreover, no specific type of competitive relationship is necessary as the legislation also provides for consumer protection with respect to the prohibited act of misleading the public which is outlined in all of the Protection Against Unfair Competition Acts in the English speaking Caribbean.

The Protection Against Unfair Competition Acts are understood to supplement the protection given by intellectual property rights which are covered in separate pieces of legislation.<sup>278</sup> Section 5 of the Barbados Trade Marks Act Cap 319 prohibits the registration of a mark which so nearly resembles a registered mark as to be likely to mislead the public. This latter provision is analogous to the specifically prohibited act of misleading the public as outlined in the Protection Against Unfair Competition Acts. However, the latter Acts encompass wider protection of intellectual property rights than the Trade Marks Acts. For example, for there to be protection under the Trade Marks Acts, the mark must be registered or must be well known<sup>279</sup> but under the Protection Against Unfair Competition Acts, the marks do not have to be registered or well known.

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<sup>275</sup> Section 7 of The Protection against Unfair Competition Act Chap. 82:36 Trinidad and Tobago; section 7 of Protection Against Unfair Competition Act Cap 329A Barbados; Section 6 of Protection Against Unfair Competition Act Cap P112 Anguilla; Section 6 of The Protection Against Unfair Competition Act Chapter 13.38, of 2001 St Lucia.

<sup>276</sup> Section 5(2) of The Protection against Unfair Competition Act Chap. 82:36 Trinidad and Tobago; section 5 of Protection Against Unfair Competition Act Cap 329A Barbados; Section 4(2) of Protection Against Unfair Competition Act Cap P112 Anguilla; Section 4(2) of The Protection Against Unfair Competition Act Chapter 13.38, of 2001 St Lucia.

<sup>277</sup> BB 2013 HC 24

<sup>278</sup> Christopher Morcom Q.C., ‘Gowever’s: a glimmer of hope for UK compliance with Article 10 bis of the Paris Convention’ [2007] EIPR 125-127

<sup>279</sup> Section 8(d)(1) of the Trade Marks Act Cap 319 Barbados; section 9(3)(c) of the Trade Marks Act NO. 8 of 2015 Trinidad and Tobago; section 4(e) of the Trade Marks Act R.S.A. c. T30 Anguilla

Additionally, it is an act of unfair competition under the Protection Against Unfair Competition Acts if there is confusion arising from other business identifiers other than trademarks. There is also protection against the unlawful dissemination of trade secrets which will be discussed below.

#### 4. Additional Acts of Unfair Competition

Tangential to the basic protection afforded in many English speaking Caribbean countries against confusing, disparaging, discrediting and misleading practices, lies additional acts such as: (1) slavish imitations; (2) free riding; and (3) trade secrets. It is notable that the protection afforded under the protection against unfair competition acts<sup>280</sup> is more expansive than the protection afforded under the various pieces of intellectual property legislation.

##### 4.1. *Slavish Imitation*

Slavish imitation is specifically addressed by the unfair competition legislation of the countries in the European Union such as Germany<sup>281</sup>. Conversely, the English speaking Caribbean does not have specific provisions which reference slavish imitation under its unfair competition and consumer protection legislative regime. The only instance in which specific provisions against imitation of any kind is mentioned is in the Trademark legislation of the English speaking Caribbean countries. However, the protection in the Trademark legislation is only afforded to owners of registered trademarks and owners of well-known marks.

Notwithstanding the absence of a specific provision for slavish imitation, the general protection afforded under the various unfair competition legislations may capture some instances of slavish imitation. This is where they would fall within the confines of the general provisions of the unfair competition legislation.

The absence of legislation which specifically addresses slavish imitation leaves a specific set of creatives vulnerable, *viz*, those who: (i) do not have design rights by virtue of registration; (ii) do not satisfy the originality requirement for copyright protection; or (iii) the duration of their protection has expired<sup>282</sup>. There is a risk that the generality of the unfair competition legislation will not provide blanket coverage for all instances of slavish imitation and these creatives will see their intellectual creations copied without any recourse.

Resultantly, the English speaking Caribbean is presently constrained to rely on the general provisions of the unfair competition legislation and individual intellectual property rights legislation for the protection against imitations.

##### 4.2. *Free riding*

Acts of free riding have a number of common features with the other additional acts of unfair competition. However, while free riding can cause confusion and be misleading, it specifically focuses on acts of misappropriation. Free riding can be considered the broadest form of competition by imitation and as such falls squarely within unfair competition.

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<sup>280</sup> Fields of intellectual property protection 2.819.

<sup>281</sup> Section 4(3)(a) German Act Against Unfair Competition

<sup>282</sup> such as those who (1) do not have a design right for their designs (2) do not satisfy the originality requirement for copyright protection, or (3) the duration of your protection has expired

Free riding provides the offending party with an unfair advantage based on the reputation of an existing mark<sup>283</sup>. Most of the Caribbean provides for the protection of well-known trademarks against acts that take an unfair advantage of the mark's distinctive character or repute.<sup>284</sup> However, other Caribbean countries have taken the position to allow for the defensive registration of well-known marks.<sup>285</sup>

The applicability of the concept of free riding is limited where there is no commercial connection between the two marks. Being reminded of the mark is not sufficient as there must be "clear exploitation or free riding on the coat tails of a famous mark or an intention to trade upon its reputation even in circumstances where it causes no harm to the distinctive character or repute of the mark."<sup>286</sup> This limitation is a balancing act between the rules of unfair competition and the principles of a free market system.

#### 4.3. Trade Secrets

Anguilla<sup>287</sup>, St. Lucia<sup>288</sup>, the Republic of Trinidad and Tobago<sup>289</sup> and Barbados<sup>290</sup> are Caribbean countries which explicitly protect against the unlawful dissemination of trade secrets. This is done by their unfair competition legislation.

The legislative provisions mirror Article 39(2) TRIPS. The protection afforded by the unfair competition legislation is expansive and allows for the protection of manufacturing and commercial secrets. This generality in the definition of what can constitute secret information means that the final determination of whether specific information will be protected is dependent upon the individual facts and circumstances of the case under examination.

Notwithstanding the generality of the definition, the protections afforded to trade secrets are clearly defined within the various Protection Against Unfair Competition Acts. Additionally, there are certain limitations on the protection afforded pursuant to the Protection Against Unfair Competition Acts. The limitations provided are: (i) the acts must be dishonest; (ii) the disclosure must not have been necessary to protect the public; and (iii) no steps were taken to protect the tests and data against unfair commercial use.

The limitations allow for the proper use and disclosure of trade secrets through legitimate trade activities. These limitations, therefore, facilitate a healthy balance between the protection against unfair competition and the greater public interest of fair competition or honest practices.

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<sup>283</sup> 3M Company v Manufacturera 3M SA DE CV [2017] JMCA Civ 21 para 131.

<sup>284</sup> Section 8(d)(i) and (ii) of the Trade Marks Act Chapter 319 of the Laws of Barbados; Section 49 of the Trademark Act of the Laws of Jamaica; Section 9(3)(c) and (d) of the Trade Marks Act, 2015 (Act No. 8 of 2015) of the Laws of the Republic of Trinidad and Tobago; Section 61 of the Trade Marks Act, Chapter 257 of the Laws of Belize.

<sup>285</sup> Section 29(1) of the Trademarks Act Chapter 90:01 of the Laws of Guyana; Section 35(1) of the Trademark Act, Chapter 322 of the Laws of The Bahamas;

<sup>286</sup> 3M Company v Manufacturera 3M SA DE CV [2017] JMCA Civ 21 para 131.

<sup>287</sup> Section 8 of the Protection Against Unfair Competition Act

<sup>288</sup> Section 8 of the Protection Against Unfair Competition Act.

<sup>289</sup> Section 9 of the Protection Against Unfair Competition Act.

<sup>290</sup> Section 8 of the Protection Against Unfair Competition Act.

## E. CENTRAL AMERICA\*

### 1. Legislative Framework

The countries in Central America have not developed a common approach to the regulation of unfair competition. There is no transnational, regional treaty or similar legal transplants. Each legal system defines honest practices in industrial or commercial matters, or establishes prohibited acts according to individual domestic circumstances. While settled by statute or recognized by case law, the truth is that Article 10bis(1) PC seems to have as many exponents as countries in the region.

In Honduras, protection against unfair competition is established by the Industrial Property Act (HIPA), Articles 170 to 173. These provisions implement unfair competition principles of Article 10bis PC in the Honduran legal system. There are also unfair competition provisions in the Honduran Commercial Code, Articles 425 to 429. Articles 75 to 78 HIPA set forth statutory provisions related to trade secrets, establishing protection of trade secrets against unfair competition. There are criminal, civil, and administrative remedies available in unfair competition cases. The Honduras Code of Civil Procedure (HCCP) establishes that unfair competition actions are to be heard by ordinary civil courts. Also, there are administrative procedures to declare acts of competition unfair and impose fines conducted by the Office for the Registration of Industrial Property.<sup>291</sup>

In El Salvador, unfair competition is regulated by its Commercial Code (SCC), Article 491, which is extensive and specifies several acts that constitute unfair competition. It seems to go beyond the cases listed in Article 10bis PC. Article 491 SCC distinguishes between acts that deceive consumers, discredit competitors, invite former workers of a competitor, and "...any other similar actions directly or indirectly aimed at diverting customers from another merchant..." Articles 493 and 497 SCC establish that commercial judges carry out unfair competition litigation. Article 240 of the Salvadoran Commercial and Civil Procedure Code provides unfair competition litigation as an ordinary procedure to be heard by commercial or civil judges. In addition, Articles 100 to 103 of the Salvadoran Trademark and Distinctive Signs Act define unfair competition and dishonest acts as those against honest practices and the law in general. Hence, these provisions rest on an open-ended approach based on a negative definition.

The Costa Rican Trademark and other Distinctive Signs Act (CRTDA),<sup>292</sup> does not define unfair competition. However, CRTDA, art. 8(k) prohibits registering a trademark that otherwise would be an unfair competition act. CRTDA, art. 62(f) has the same prohibition, but in this case applied to commercial advertising expressions or signs, which is a kind of trademark registration. Finally, CRTDA, art. 71, prohibits using any geographical indication if that use is an act of unfair competition according to Article 10bis(1) PC.

In Costa Rica, there is a different statute devoted to enforcing intellectual property rights. While it is an enforcing statute, it contains definitions regarding unfair competition. Law No. 8039, on The Procedures for the Enforcement of Intellectual Property Rights Act (PEIPRA),<sup>293</sup> art 28 defines unfair competition as: "any activity carried out in the exercise of a commercial activity or on the occasion of it, contrary to the uses and honest practices in commercial matters." This legal provision explicitly enumerates some acts that are considered unfair

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<sup>291</sup> Oficina de Registro de Propiedad Industrial.

<sup>292</sup> Legislative Act, no. 7978.

<sup>293</sup> Legislative Act, no. 9524.



competition. PEIPRA, art. 28 also refers to Article 17 of Promotion of Competition and Effective Defense of the Consumer Act (PCEDA), which established a set of acts of unfair competition.<sup>294</sup>

In the Mexican legal system, the statutory basis for protection against unfair competition is established by the Federal Industrial Property Protection Act (FIPPA), Article 386.<sup>295</sup> However, Article 10bis PC may be invoked and applied directly in any litigation. The most important cause of action of FIPPA, Article 386, is fraction I. Generally, it has been interpreted as a non-independent clause. Therefore, to be applicable, any other cause of infringement as defined by any fraction should be met. This reasoning answers the next section about what is an honest practice in industrial or commercial matters. As the statute defines it, the quick answer is not to commit any statutory infringement—a simplistic approach. This fraction is known as the general unfair competition cause of action.

The same statutory provision also contains specific causes of unfair competition. Unlike fraction I, those causes of action are independent. Therefore, in the Mexican legal system, the basis of unfair competition litigation is found in the FIPPA, Article 386, fractions I, II, III, XIV, XV, and XXIV.<sup>296</sup> Those legal provisions incorporate Article 10bis PC.

Likewise, the Mexican Commercial Code, Article 6bis is almost verbatim to the second and third paragraph of Article 10bis PC.<sup>297</sup> According to the Commercial Code, Article 6bis, the absence of the prohibited acts established in Article 10bis(3) PC constitutes an honest practice in industrial or commercial matters. Finally, Article 32 of the Consumer Protection Act of Mexico contains the rules for comparative advertising.

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<sup>294</sup> Legislative Act, no. 7472.

<sup>295</sup> This is a new statute, published in the Official Gazette of the Federation in July 1, 2020, entered into force on November 5, 2020. It repealed the Mexican Industrial Property Act (June 27, 1991). The now Article 386 is quite similar to the former Article 213. This legal provision establishes 33 actions that constitute infringement. Regarding unfair competition, the new law includes, in addition to existing provisions, protection related to undisclosed information.

<sup>296</sup> "Article 386.- The following are administrative offenses:

...

I.- Carry out acts contrary to good practices and customs in industry, commerce, and services that imply unfair competition and that are related to the matter that this Act regulates;

...

II.- Carry out, in the exercise of industrial or commercial activities, acts that cause or induce the public to confusion, error or deception, by making belief or supposing unfoundedly: a) The existence of a relationship or association between an establishment and that of a third; b) That products are manufactured under the specifications, licenses or authorization of a third party; c) That services are provided or products are sold under the authorization, licenses or specifications of a third party; or d) That the product in question comes from a territory, region or locality other than the actual place of origin, to induce the public a mistake as to the geographical origin of the product;

III.- Attempting or achieving the purpose of discrediting the products, services, industrial or commercial activity, or the establishment of another. The comparison of products or services protected by a trademark for the purpose of informing the public will not be included in this provision, provided that said comparison is not biased, false, or exaggerated in terms of the Federal Consumer Protection Act;

...

XIV.- To improperly appropriate information that is considered a trade secret, without the consent of the person exercising its legal control or its authorized user, to obtain a competitive advantage in the market, or to carry out acts contrary to good practices and customs in industry, commerce, and services that imply unfair competition;

XV.- Produce, offer for sale, sell, import, export, or store products or services that use a trade secret, when the person carrying out said activities knows or has reasonable grounds to know that the trade secret was used without the consent of the person who exercises its legal control or its authorized user and in a manner contrary to good practices and customs in industry, commerce, and services that imply unfair competition;

...

XXIV.- Use the combination of distinctive signs, operational or image elements that allow the identification of the same or similar products or services in a degree of confusion to others protected by this Act and that by their use cause or induce the public to believe or suppose a non-existent association with whoever proves the right...."

<sup>297</sup> Likewise, according to several fractions of FIPPA Article 173, filings containing distinctive signs constituting unfair competition cannot be registered as trademarks.

Most of the unfair competition litigation is based on Article 386 FIPPA and, more specifically, the sections mentioned above. Since the FIPPA is a relatively new statute, the prevailing case law is about the repealed Industrial Property Act of 1991. However, as for protection against unfair competition, there are no substantive changes in the new statute. Only new provisions have been added to protect undisclosed information against acts of unfair competition, as the TRIPs Agreement requires. Therefore, the prevailing case law analysis is still valid, notwithstanding the fact that it refers to provisions of the repealed statute.

Unlike other legal systems where unfair competition and intellectual property litigation is generally brought before an ordinary court within the judicial sphere, in the Mexican legal system, infringement and unfair competition cases are litigated before the Instituto Mexicano de la Propiedad Industrial (IMPI), which is the administrative authority that grants patents and registers trademarks. Since IMPI could not award damages, prevailing parties were required to initiate an additional action before an ordinary court. For this kind of action, IMPI's ruling declaring administrative infringement or unfair competition was required. The new statute solved this problem by empowering IMPI to render damage awards and establishing that IMPI's ruling was not necessary to initiate legal action before an ordinary court.

Even prior to the adoption of the new statute, the ordinary course of litigation was to file the action in an ordinary court when the unfair competition action was based on a breach of a contract, like a franchise agreement. The new statutory scheme leaves plaintiffs to decide whether to initiate procedures before the IMPI or an ordinary court. This new statutory scheme brings unfair competition provisions in harmony with general tort principles.

According to the Mexican Civil Code (CC), Article 1910, "anyone who, acting illicitly or against good customs, causes damage to another, is obliged to repair it..." An act is illicit when it goes against any statutory provision. Therefore, any action deemed as unfair competition according to Article 386 FIPPA automatically is actionable based on Article 1910 CC. Notwithstanding this general tort provision, there are no developments in the area of protection against unfair competition besides those based on the provisions contained in the FIPPA, the PC, the TRIPs agreement, and the repealed Industrial Property Act of 1991. In conclusion, there are no developments based solely on general tort principles.

## 2. Honest Practices in Industrial or Commercial Matters

In the countries of the region, the notion of an honest practice relates to not engaging in any prohibited acts.

For example, in the Mexican system, protection against unfair competition relates to the obligation to refrain from infringing conduct and any action present in Article 386 FIPPA. In the leading case on the issue<sup>298</sup> heard by the Mexican Supreme Court (MSC), the MSC had to decide on the constitutionality of Article 213, fraction I, of the repealed Industrial Property Act of 1991. Even though the decision concerned a previous statute, it is still relevant because Article 213, fraction I, of the 1991 Act is precisely the same provision which is now set forth in Article 386, section I, FIPPA. In addition, it is quite the exact wording as Article 10bis(2) PC.

The main argument was that said legal provision was contrary to the principles of legality and due process contained in the Mexican Constitution, Articles 14 and 16, due to the vagueness of its wording: "acts contrary to good practices and customs in industry, commerce, and services..."<sup>299</sup> In the Mexican legal system, any statute that establishes an act as illegal or a crime must not be vague, meaning that it must not contain more than one conduct. Otherwise, it would have to be declared unconstitutional.

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<sup>298</sup> Mexican Supreme Court, Second Chamber, Amparo en Revisión 2234/2009, March 17, 2010. Available at <http://www2.scjn.gob.mx/ConsultaTematica/PaginasPub/TematicaPub.aspx> (August 24, 2021).

<sup>299</sup> See *id.* at 6.

Despite the openness of the formulation, however, the MSC rejected this argument, holding that one of the elements established by fraction I to configure unfair competition was based on its relationship with the rest of the legal system under examination. This line of argument is interesting, since it confirms that this legal provision is not autonomous but depends for its configuration on another fraction of the same legal precept: “it should be interpreted not in a literal way and much less isolated, but its text must be appreciated systematically and harmoniously with the content of the remaining fractions....”<sup>300</sup> According to this interpretation, any infringement or any wrongdoing against a statutory provision is considered unfair competition. This includes not only trademarks but patents, industrial designs, and so on.

In Mexican legislation, no case precedent or statutory provision defines what is considered an honest practice. Therefore, an honest practice may be found in accordance with the approach taken by the MSC when a certain conduct is not contrary to any statutory provision. The approach, thus, rests on a definition in a negative sense: if there is no encroachment upon any statutory provision – commonly Article 386 FIPPA – there is no unfair competition.

### 3. Implementation of Specifically Prohibited Acts

As for the Honduran legal system, Article 170 of the HIPA defines acts considered unfair competition as follows:

(1) Any act ... that is contrary to the rules of good faith or to the honest uses and practices in commercial matters; (2) Acts of any kind capable of creating confusion regarding... another merchant; (3) The use or propagation of false indications ...capable of damaging or discrediting the establishment, products, services or activities of another merchant; (4) The use or propagation of indications or allegations ... likely to create confusion concerning ... own products or services or those of a third party; (5) The direct or immediate use of a product placed on the market by a third party, to mold, trace, copy or otherwise reproduce that product improperly by any technical means, and thus take advantage of parasitic and commercial purposes the results of the effort of that third party; and, (6) Access to an industrial secret and other undisclosed information, or the use or disclosure of such secret or information without the authorization of its legitimate owner...

The Honduran legal system is particular about what acts are considered unfair competition. Article 425 of the Honduran Commercial Code (HCC) also establishes a set of unfair competition acts. This statutory provision is directed to acts intended to attract clients improperly. Specifically, the bribery of client’s employees, false indications about the origin or quality of the products, falsified products with packaging that appears to be original, and spreading false causes of price discounts such as liquidations, bankruptcies, and so on.

In *Laboratorios Stein S.A v. Pfizer S.A.*, the Honduran Supreme Court (HSC)<sup>301</sup> analyzed the interaction between HCC and HIPA unfair competition provisions. It reversed a decision in which the Civil Appeals Court of the Francisco Morazan Department ruled that HCC, Article 425 contains the same conducts defined as unfair competition than HIPA, Article 170. As a result, the Appeals Court did not consider the acts of unfair competition established by HCC, Article 425. However, the HSC ruling made it clear that both legal precepts define unfair competition in different terms, both applicable in any given case.

In the judgment docket number 50-3CM-11-A, the Second Civil Chamber of Appeals Court for the First Section of el Salvador (SCCA) decided whether unfair competition cases were public or private law. The question was raised because of an arbitral clause between the parties. In an ordinary judicial action, the defendant argued that the court could not hear the unfair

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<sup>300</sup> See *id.* at 16.

<sup>301</sup> Civil n° CC-61-12 de Supreme Court (Honduras), June 11, 2013.

competition case because of an arbitral clause between the parties. The trial court agreed, and the plaintiff appealed. The main appeal argument was that unfair competition actions were beyond the reach of arbitral proceedings because those were public law questions related to antitrust regulations.<sup>302</sup> The appellant also argued the dominant position and anti-competitive practices by the other party were against economic freedom forbidden by the Salvadoran Antitrust Act. Therefore, outside of the private character of an arbitral procedure and beyond personal commitments by the parties.

However, The SCCA rejected this argument and affirmed the trial court resolution holding that "...our legal system regulates that acts of unfair competition and anti-competitive practices are entirely different figures, and it is not possible to affirm... that unfair competition constitutes an anti-competitive practice."<sup>303</sup> Consequently, SCCA concluded that unfair competition actions may be resolved in arbitration proceedings. This prevailing criterion has been endorsed by the Salvadoran Supreme Court (SSC) in case 109-2016. In that case, the SSC distinguished unfair competition acts from those prohibited by the Salvadoran Antitrust Act, concluding that unfair competition acts do not go beyond the private sphere and "therefore are incapable of affecting the economic order."<sup>304</sup>

Besides the open-ended general prohibition to engage in acts contrary to honest uses and practices, Article 28 of the Costa Rican PEIRPRA establishes specific acts of unfair competition. Those are acts tending to create confusion about characteristics of products or services, the reproduction of a trademark or any protected IP element without authorization of its holder to take commercial advantage of the effort and prestige of others, and the use of sign whose registration is prohibited by the CRTDA.

Article 28 of the PEIRPRA also refers to PCEDA, Article 17, which establishes the following acts of unfair competition:

- a) generate confusion...regarding ... competitors; b) false assertions... to discredit.... a competitor.
- c) ...incite to suppose the existence of prizes or awards ... but based on some false information or ... to promote... exaggerated expectations...; d) illegitimate use, imitation, reproduction, substitution or alienation of trademarks, trade names, appellations of origin, advertising expressions, inscriptions, wrappings, labels, containers or any other means of identification, corresponding to goods or services owned by third parties...

Even the specificity of these prohibited acts, PCEDA, Article 17, has an open-ended means since it prohibits any other analogous acts of unfair competition that distort market transparency to the detriment of consumers or competitors.

The Second Court of Civil Appeals of San José interpreted Article 17 of the PCEDA in a comparative advertising appeal.<sup>305</sup> The Consumer National Commission<sup>306</sup> initially held that such comparative advertisement was inexact, partial, and deceptive since it distorted the information to confuse consumers. However, the Second Court of Civil Appeals partially

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<sup>302</sup> According to art. 23 of the Salvadoran Mediation, Conciliation and Arbitration Act, those matters are excluded from arbitration.

<sup>303</sup> Judgement 50-3CM-11-A, Second Civil Chamber of Appeals Court for the First Section (El Salvador), January 5, 2012.

<sup>304</sup> 109-2016, Supreme Court (El Salvador), August 23, 2019, at. 14.

<sup>305</sup> Second Court of Civil Appeals of San José Second Section, File docket 12-000088-0183-CI, September 6, 2021. The comparative advertising was as follows: "Are you using bleach? Most of the labels on your clothing prohibit it. Chlorine damages the fibers of fabrics, deteriorating colors, and can cause accidents in your colored clothes. Better go to V., apply it on the stain, or add a measure of V. together with the detergent and check that V. does remove the stains without affecting the colors of the fabrics because V. does not contain chlorine...". See *id* at 3. The plaintiff's trademark was "Clorox." In Spanish, the word *bleach* is translated as *cloro*. Therefore, in the comparative advertisement, the difference between *Clorox* and *cloro* was minimal. The Court did not discuss the distinctiveness of the trademark.

<sup>306</sup> *Comisión Nacional del Consumidor*.

reversed, holding that: “it would be a fallacy to generalize that any advertising inaccuracy or error should be censored...” The Court then recognized that unfair competition only occurs when the comparative advertisement affects competitors and confused consumers. However, the Court remanded the case to the Consumer Commission to order the defendant to make changes in the comparative advertising, publish new advertisements including those changes, use ascertainable information in future publicity, and pay the plaintiff’s attorneys fees.

Comparing the statutory provisions in Mexican legislation with Article 10bis PC, it can be said that the general guarantee of protection given in Article 10bis(1) PC has been implemented in the Article 386 fraction II, FIPPA; Article 10bis(2) PC has been implemented in Article 386, fraction III, FIPPA.<sup>307</sup> However, the more concrete cases listed in Article 10bis(3) PC are not present in any national statutory provision related to intellectual property. Instead, they have been enshrined in the Federal Consumer Protection Act (FCPA).<sup>308</sup> There are administrative procedures in front of a federal agency called Federal Prosecutor Office for Consumer Protection. Also, like any wrongdoing against a statutory provision, a consumer protection tort action based on the CC, Article 1910, could be filed in a state or federal court. However, those consumer protection procedures usually are based on the FCPA rather than on unfair competition principles.

There are no different or special requirements to receive protection against unfair competition. The procedures are no different than any other infringing action, and substantive protections go beyond trademarks to patents or any protected IP asset. While it could be fairly established that the need to probe a competitive relationship is somehow unclear, the Court in the following case required it.

This is a case of patent infringement derived from the unauthorized importation of a protected substance.<sup>309</sup> However, the Federal Circuit accepted an argument from the defendant in the sense that no evidence was provided to demonstrate unfair competition. More specifically, the Court noted that no evidence on record had been provided that both plaintiff and defendant were competitors. This question became relevant because the complainant had argued that it did not import the protected substance for commercial purposes. According to the Federal Circuit, however, it was necessary for a finding of unfair competition to demonstrate that the parties were competitors.

Nonetheless, this ruling need not be the last word on the matter. The following cases offer a broader perspective of substantive and procedural aspects of protection against unfair competition in the Mexican legal system. Some cases suggest showing to be competitors is not dispositive in unfair competition cases.

A further decision – *Amparo Directo 406/2011* – discussed unfair competition and franchising agreements.<sup>310</sup> The Court held liable a franchisee’s shareholder for breach of a franchise agreement through a company incorporated to avoid contractual obligations. It was a Mexican franchise of coffee establishments. After the termination of the franchise, defendants continued their business on the premises used to operate the franchise with another brand that they registered. In line with the Court decision, the defendant was required, through ordinary action, to observe the confidentiality clause and the non-use obligation relating to the trademark. The defendant was also required to pay damages caused by the disclosure of trade secrets and trademark infringement. A third party was called to trial. In this sense, the court ordered the lifting of the “corporate veil” against the shareholders of the former franchisee. As a result, the decision affected the defendant company and its shareholders, who created the company as a separate legal person to breach their contractual obligations.

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<sup>307</sup> See note 6.

<sup>308</sup> Federal Consumer Protection Act. Article 1, fraction VII and Article 32.

<sup>309</sup> Eighth Ancillary Circuit Court for the Third Region, *Amparo Directo 653/2015*, January 21, 2016. Available at: <http://www.cjf.gob.mx> (August 31, 2021).

<sup>310</sup> Third Federal Civil Circuit Court for the First Circuit, *Amparo Directo 406/2011*, November 17, 2011.

The defendant argued that the plaintiff did not offer any evidence to show unfair competition. The argument sought to establish that sold products in the new establishment such as pizzas, milkshakes, sandwiches, or salads, did not constitute unfair competition since they were legal products and in the public domain. However, the Federal Circuit Court rejected this argument, holding that the concept of unfair competition derived from the franchise agreements. By doing so, the Court recognized that those specific contractual obligations between the parties constituted the fair competition rules between them.

Another illustrative case is *Amparo Directo 289/2016* which was about importation, industrial designs, and unfair competition.<sup>311</sup> Here the repealed Industrial Property Act, Article 213, fraction I,<sup>312</sup> was discussed concerning the importation into the national territory of remote controls that arguably infringed an industrial design owned by the plaintiff. The Court cited Articles 25 and 36 of the repealed Industrial Property Act.<sup>313</sup> The first established the exclusive rights for patent holders, including the manufacture, use, sale, offering for sale, and the importation of protected products. Article 36 established, among other things, that exclusive rights prescribed by Article 25 apply to industrial designs. Thus, the Court held that importation constituted one of the exclusive rights of industrial designs. Therefore, as an act against the law, the infringement of Article 213, fraction I, of the repealed Industrial Property Act was materialized.

The *Amparo Directo 218/2017* was an unfair competition case related to comparative advertising and three-dimensional trademarks.<sup>314</sup> The Circuit Court held that the packaging used in the comparative advertising was not similar to any trademark registered by the plaintiff. Although it displayed several differences, such as a different use of colors, it could clearly be concluded with a simple glance that the advertising sought to evoke the plaintiff's product. Nonetheless, the Circuit Court concluded that "it is incontrovertible that in this case, it is inadmissible to consider the [unfair competition] infringement actions referred to in the Industrial Protection Act, Article 213, fractions I and X as materialized."<sup>315</sup> This approach did not give independence to the unfair competition action contained in fraction I, but instead made it depend on a trademark infringement action.

The *Amparo Directo 152/2016* was about an unfair competition case related to generic medications and comparative advertising.<sup>316</sup> It derives from an infringement action brought under the repealed Industrial Property Act, Article 213, fractions I and X,<sup>317</sup> by a pharmaceutical company trading with generic medications. The comparative advertising at issue included the following registered advertising slogans: "Similar pharmacies," "the same but cheaper," and "up to 75% savings."<sup>318</sup>

The Circuit Court ruled in favor of the plaintiff, holding that, in the comparative advertising, specific reference had been made to the plaintiff's trademarks. The decision included images of the infringing comparative advertising, including the trademarks of several international pharmaceutical companies and the plaintiff's trademark. According to the Circuit Court, the comparison confirmed the defendant's intention to discredit the plaintiff's products through a comparison that the Court considered biased because the defendant had stated that its product was cheaper without explaining the specific nature of the product. In particular, the

<sup>311</sup> First Administrative Circuit Court for the First Circuit, *Amparo Directo 289/2016*, July 7, 2016.

<sup>312</sup> It is exactly the same than FIPPA, Article 386, fraction I.

<sup>313</sup> Equivalent to FIPPA, Articles 55 and 81 and 82.

<sup>314</sup> Tenth Administrative Circuit Court for the First Circuit, *Amparo Directo 218/2017*, March 22, 2018.

<sup>315</sup> See *id* at 42.

<sup>316</sup> Second Ancillary Circuit Court for the Eleventh Region, *Amparo Directo 152/2016*, August 11, 2016.

<sup>317</sup> Equivalent to FIPPA, Article 386, fractions I and III respectively.

<sup>318</sup> See *id* at 26 -27. Advertising slogans are a particular kind of trademark that, according to the FIPPA, Article 205, are governed precisely by the same legal provisions and principles as trademarks. The repealed Industrial Property Act, Article 200, also offered protection to advertising slogans.

Court held that the defendant had failed to specify in its advertising that its products were interchangeable generics and merely similar to the original products of the brand owner: “therefore they are not the same in relation to innovative drugs ... thus, with its advertising, it transmits the message that it is about same products but cheaper, which is misleading, biased and exaggerated.”<sup>319</sup>

In another case, a trademark was offered protection against unfair competition even before it was registered.<sup>320</sup> The case arose from a franchise agreement that had been concluded before the filing of the trademark registration. The defendant defended himself, alleging that, at the signing of the franchise contract, there had been no registered trademark. The registration followed later. He was a third party who, in good faith, used the trademark before the registration.

However, the Circuit Court considered that there was no good faith since, regardless of the trademark registration date, the defendant had decided to continue using the trademark after the termination of the franchise agreement, which made it impossible to claim good faith.

In the case *Amparo Directo 443/2015*, the Court denied trademark infringement.<sup>321</sup> However, it found the defendant liable for unfair competition, based on the repealed Industrial Property Act, Article 213, fraction I, because the defendant used the plaintiff’s trademark on sales tickets it issued. Interestingly, the Court framed the unfair competition action based on fraction I independently of the rest of the fractions of Article 213. As already indicated, it may be difficult to reconcile this approach with the one established by the MSC in *Amparo en Revisión 2234/2009*, analyzed above.

In *Amparo Directo 413/2013*, the Circuit Court insisted on demonstrating a competitive relationship.<sup>322</sup> The case was about an interpreter known as Susana Zabaleta, who had been held liable for trademark infringement and unfair competition by a lower court. She mounted a dramatic play, the title of which was similar to the plaintiff’s mark “Kinki,” because her play was called “twisted kinki.” The Circuit Court reversed and remanded to study the defendant’s arguments in the sense that what she was doing was theatrical work and not a musical show: “[t]he nature of the “show” that she offers... and experts’ opinions of what constitutes a dramatic theatrical work, it can be seen that its presentations have such a character... and not a musical show, as it was unduly considered....”<sup>323</sup> This approach of distinguishing between musical and theatrical works, however, seems overstated since musical and theatrical works are both spectacles. If this were the prevailing interpretation for determining a competitive relationship, it would be challenging to prove that parties are competitors.

#### 4. Additional Acts of Unfair Competition

Statutes and case law in countries of the region commonly use the unfair competition term in many areas, even those not related to the meaning of Article 10bis PC. To illustrate this point, a case in Costa Rica related to a dispute between traditional taxi drivers and those working under electronic platforms mentioned the term unfair competition.<sup>324</sup> However, it was not related to intellectual property rights or consumer confusion.

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<sup>319</sup> See *id* at 39.

<sup>320</sup> Sixteenth Administrative Circuit Court for the First Circuit, *Amparo Directo 388/2016*, October 6, 2016.

<sup>321</sup> Eighth Ancillary Circuit Court for the Third Region, *Amparo Directo 154/2015*, June 26, 2015, at 26.

<sup>322</sup> Fifteenth Administrative Circuit Court for the First Circuit, *Amparo Directo 413/2013*, June 20, 2013.

<sup>323</sup> *Id* at 33.

<sup>324</sup> Supreme Court of Costa Rica, Constitutional Chamber, Dile Docket 21-018063-0007-CO, September 14, 2021. In this case, the appellant, a taxi “concessionaire,” alleged that the State of Costa Rica had not acted to cease the unfair competition generated by the transport activity carried out by drivers using applications such as UBER, NOVA illegally, which caused him great economic harm. The economic harm was also exacerbated because he got COVID 19 and anxiety. The Supreme Court dismissed the appeal, holding that the case was not about determining such platforms’ legal status.

In Mexico, other types of protection against unfair competitive behavior concern trade dress and the protection of trade secrets or undisclosed information. There are several cases establishing trade dress protection based on unfair competition provisions. In *Amparo Directo en revisión 5287/2014*, the MSC held that trade dress protection could be deduced from Article 10bis PC. The Court held that “[t]he “trade dress” is a set of elements that are translated into visible signs; the elements that really are distinctive of the product would have to be carefully categorized due to their originality and visual relationship with the commercialization of the same....”<sup>325</sup>

Several lower courts have followed this MSC case. In *Amparo Directo 642/2014*, the Circuit Court recognized trade dress protection even against a company with a trademark registration. The issue was whether it was necessary to nullify the defendant’s registered trademark since the compelling argument was that it could not be committing trademark infringement when acting under the protection of a registered trademark. However, the Court ruled negatively because it was an unfair competition action. Then, the Court compared party’s products similarities and also concluded that “both products are marketed in a 200-gram presentation, so it is evident that these coincidences generate a very similar visual impression....”<sup>326</sup> These cases are interesting since the repealing statute did not contain any provision related to or defining trade dress.

FIPPA, Article 386, fractions XIV and XV, incorporate unfair competition protection for trade secrets. Fraction XIV establishes as a cause of action the improper appropriation of trade secrets to get a competitive advantage or to “carry out acts” implying unfair competition. The cause of action established by fraction XV relates to the offering, selling, importation, or exportation of products and services that use a trade secret. To prevail in this fraction XV cause of action, the plaintiff must prove that the infringer knew or has “reasonable grounds” to know that the information was used without consent or “in a manner contrary to good practices and customs in industry, commerce and services that imply unfair competition.”<sup>327</sup> As in the rest of statutory provisions, no definition or enumeration of honest practices or unfair competition is provided. Therefore, it must be argued in each case. Yet, no case law developments on this issue.

## F. ANDEAN COMMUNITY\*

### 1. Legislative Framework

The general concepts of free trade and unfair competition are regulated by Andean Community decisions while national legislation provides more detailed regulations.

Andean Community Decision 608 promotes and protects free competition among the region.<sup>328</sup> The scope of application of this Decision is limited to practices that have origin and effects in one or more Andean Community countries. Local transactions within the country must observe internal legislation. There was an issue of whether a party may be investigated two times for the same conduct. In this respect, the Andean Court, in Prejudicial Interpretation 484-IP-2018, set out the scope of the application of transnational Andean laws as infringers may want to

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<sup>325</sup> Mexican Supreme Court, Second Chamber, *Amparo Directo en Revisión 5287/2014*, at 30 and 33.

<sup>326</sup> See e.g. Seventh Administrative Circuit Court for the First Circuit, *Amparo Directo 642/2014*, September 3, 2015.

<sup>327</sup> FIPPA, Article 386-XV.

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<sup>328</sup> Decision 608 of the Andean Community of 29 March 2005 concerning the Regulations to Protect and Promote Free Trade in the Andean Community.



take advantage of scenarios in which their conduct has effects in the Andean region to avoid being investigated by the local authorities. The Andean Court concluded that the local authorities may limit their investigations to practices that do not have a cross-border effect. Investigations at the national level, however, would not condition the competence of the Andean Authority to investigate cross-border transactions. Finally, the Andean Court recommended that if business owners did not want to face Andean authorities in addition to local authorities, they should refrain from committing anticompetitive practices.

Andean Decision 486<sup>329</sup> sets out the common provisions on Industrial Property and further allows the Intellectual Property Offices to reject a trademark application when it is deemed to be filed to commit or to be part of an unfair competition act.

The Andean Court of Justice explains that unfair competition occurs in two aspects: “On one hand, the need to protect the interests of the rest of the businesses as they may be injured by the practice of the unfair competitor; on the other hand, there is the need to effectively protect the interests of consumers or offerees against unfair practices (false advertising for example).”<sup>330</sup> The Court established a three-step test for identifying acts of unfair practice:

- the act needs to effectively be an act of competition, the infringer and the victim need to be competitors in the same or analogous commercial activity;
- the act or activity must be inadequate;
- the act must be able to create damage, the likelihood of damaging a competitor is enough.

The Court concluded that a practice was unfair when its purpose or its effects may effectively cause damage to a competitor.

With the adoption of the Unfair Competition Law of 1996, Colombia was the first country in the region to enact a local law to regulate practices that may affect the market.<sup>331</sup> Peru followed in 2008 by enacting Legislative Decree 1044 on Unfair Competition Law.<sup>332</sup> Ecuador has the newest regulations laid down in the Organic Law for Regulation and Control of Market Power<sup>333</sup> which entered into force in 2011. Bolivia does not yet have an overarching domestic legal framework. Protection against unfair competition follows from broad concepts in the Constitution and several special laws.

## 2. Honest Practices in Industrial or Commercial Matters

The Andean Community regulations apply to transactions occurring in one or more of the countries. Andean Decision 608 groups anti-competitive practices into free trade restrictions and abuse of dominance. Andean Decision 486 further covers unfair practices related to intellectual property.

Article 4 of Andean Decision 608 prohibits and sanctions practices against free trade and those of abuse of market power, only if they have been committed by economic agents. The General Secretariat of the Andean Community, in the course of an investigation, may order the immediate cessation of restrictive conducts and, if necessary, the application of corrective and/or punitive measures.

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<sup>329</sup> Decision 486 of the Andean Community of 14 September 2000 concerning the Common Provisions on Industrial Property.

<sup>330</sup> Prejudicial Interpretation, Process 217-IP-2015, August 24, 2015.

<sup>331</sup> Colombia, Law 256 Régimen de Competencia (Unfair Competition Law), of 1996

<sup>332</sup> Peru, Legislative Decree 1044, (Ley de Represión de la Competencia Desleal), of June 26, 2008

<sup>333</sup> Ecuador, Ley Orgánica de Regulación y Control del Poder de Mercado, 2011

For local transactions, Colombia and Ecuador follow a similar categorization of unfair practices where local laws define, and further regulate, each of the illegal practices.

Domestic legislations of Ecuador, Colombia, and Peru consider it unfair to obtain a significant competitive advantage over competitors through the infringement of a legal rule. These competitive advantages could be the result of, but are not limited to, abusing judicial or administrative proceedings, non-compliance with a legal rule, violating environmental, advertising, tax, labor, social security, consumer, or other regulations.

In Colombia, there is a general prohibition to act “against healthy trade principles, bona fide, honest practices in industrial or commercial matters.”<sup>334</sup>

In Peru, acts of competition may be qualified as unfair commercial practices if they violate the principles of truthfulness, loyalty, legality, authenticity, and social adequacy. Concerning advertising activity, Article 17 of the Peruvian Unfair Competition law sanctions the dissemination of advertising and catalogues certain acts against the legality principle. These practices include but are not limited to: a) failure to warn consumers about the risks in the use/consumption of products, b) omit to present the total price of a good/service without including applicable taxes and charges, c) omit, in advertisements that disseminate sales promotions, the real indication of its duration and the minimum number available of units of the offered product, etc.

The Bolivian Commerce Code regulates acts of unfair competition in chapter V<sup>335</sup>. The acts that are contrary to the law and to good commercial customs, those that violate intellectual property rights and those that discredit products/services of the competitor are considered as unfair competition. Article 66 of the Bolivian Commerce Code prescribes that those acts shall be punished under the Penal Code. In effect, the second chapter of the Penal Code regulates crimes against industry and commerce including fraud, deception acts and diversion of clients.

### 3. Implementation of Specifically Prohibited Acts

Article 259 of Andean Decision 486 identifies several unfair competition practices: (a) any act capable of creating confusion, regarding the commercial origin, the products, or the activity of a competitor; (b) false assertions, which are capable of discrediting the commercial origin, the products, or the activity of a competitor; and (c) indications or assertions that could mislead the public into error on the nature, way of manufacturing, the characteristics, quality or quantity of a product.

#### 3.1 *Confusion and Imitation Acts*

The Andean Court of Justice, in 217-IP-2015,<sup>336</sup> distinguishes between acts of confusion falling under intellectual property protection, and acts of confusion treated as unfair practices. Confusion between marks or products as such does not offer a basis for bringing an unfair competition action because these acts of confusion are covered by different, more specific intellectual property legislation. To establish an act of unfair competition, the consumer needs to be induced and deprived of the opportunity to make a correct selection according to its needs and desires because of confusion as to the establishment, the products, or economic activity of a competitor.

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<sup>334</sup> Article 7, Law 256 (Unfair Competition Law), of 1996

<sup>335</sup> Article 66, Law Decree 14379 of 25 of February of 1977 (Bolivian Commerce Code).

<sup>336</sup> TJCA, 24 August 2015, Prejudicial Interpretation, process 217-IP-2015.

Likewise, in 43-IP-2018,<sup>337</sup> the Andean Court held that an unfair practice occurs when an infringing business attracts customers without any entrepreneurial effort, for example, by imitating the competitor's packaging simply to save the costs involved in developing its own design or imitating the packaging to mislead the consumer and thus divert customers.

Article 10 of the Unfair Competition Law of Colombia specifically adopts Article 10bis(3), no. 1 PC which prohibits "all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor." Colombia further forbids in Article 14, the imitation of the products/services of a third party when it creates confusion as to the business origin or involves an unfair advantage of the reputation of others. Systematic imitation of business initiatives is also considered as an unfair practice when it is committed to prevent or hinder the assertion in the market of a competitor. Colombia's Superintendence of Industry and Commerce (SIC) declared that Alpina S.A. had committed unfair practices against Danone<sup>338</sup> by (i) registering a number of marks in Colombia which were similar to the ones used by Danone throughout the world, (ii) advertising products on TV by using advertising pieces and concepts originally created by Danone, and (iii) identifying products by using commercial initiatives that were the results of Danone's efforts and not Alpina's. The SIC concluded that this systematic imitation effectively prevented Danone from competing in Colombia.

Article 27(1) of the Antitrust Law of Ecuador considers unfair all practices which are intended to create, or may create, confusion with the activities, characteristics, products, or establishments of a third party. The use or imitation of a third parties' trademarks, labels, containers, or any identification marks is considered unfair. Continuous, systematic imitations or imitations of business initiatives are also considered unfair<sup>339</sup>.

Article 9 of the Unfair Competition Code of Peru defines acts of confusion as those practices that have a real or potential effect to induce others into a misconception as to the source, by wrongly stating the business origin or imitating features of the products.

### 3.2 Comparison Acts

Both Article 27(5) of the Antitrust Law of Ecuador and Article 13 of the Unfair Competition Law of Colombia consider unfair the acts of comparison regarding the activity, commercial services, products, establishments, when such comparison uses incorrect or false statements or omit accurate information.

Article 12 of the Unfair Competition Law of Peru makes a distinction between comparative acts and assertions of equivalence. Comparison acts consist of presenting one's advantages against the competitors. Equivalence assertions refer to presenting the own offer's attributes by citing the one's of the third-party offer. Peru allows statements concerning comparative or equivalent features when they are based on assertions that are truthful, exact, relevant, and non-discriminatory.

In Colombia, the comparison of activities, or advantages of different establishments is considered unfair, if false or incorrect assertions are used, or the true assertions are omitted (Article 13 of the Unfair Competition Law).

On the other hand, in Ecuador, Article 27(5) of the Antitrust Law does not allow any comparison acts. It does not make any distinctions of whether the assertions are true or false.

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<sup>337</sup> TJCA, 8 November 2018, Prejudicial Interpretation, process 43-IP-2018.

<sup>338</sup> Colombia Superintendencia de Industria y Comercio (SIC), 24 August 2015, case 1228-2015.

<sup>339</sup> Article 27.3., of the Ecuadorian Law considers as an imitation act the infringement and/or violation of an IP right and the imitation of a business initiative (when it creates confusion regarding the business origin and generates the exploitation of others prestige and reputation).

Finally, when referring to the use of trademarks by third parties in the Andean Community, Andean Decision 486 states that comparative use is outside the boundaries of trademark protection. While third parties' trademarks may thus be used in comparative advertising from the perspective of Andean Community law, local laws must still be followed. Hence, a comparison may be considered unfair in accordance with applicable national rules.

### 3.3 *Denigrating or Discrediting Acts*

Colombia directly adopts Article 10bis(3), no. 2, PC covering discrediting acts, while Peru and Ecuador classify this conduct as denigration acts.

In line with Article 10bis(3), no. 2, PC, Colombia prohibits "false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor."

Article 12 of the Unfair Competition Law of Colombia further develops the conceptual contours of this practice by stating that it is considered unfair if the purpose or effects of diffusing incorrect or false allegations, or omitting true allegations, may discredit the activity, advantages, the establishment, or trade relations of a competitor unless the allegations are true, exact, and relevant.

Colombia's Superintendence of Industry and Commerce (SIC) declared that a former distributor Duna Enterprises S.L. was guilty of discrediting the GA.MA Italy products by issuing inexact and irrelevant publications<sup>340</sup>. The defendant issued and published a statement affirming that the owner of the marks had been deceiving consumers because the origin of the products was not Italy, but they were imported from China, Uruguay or Argentina. It also affirmed that consumers could request an exchange of the products for the original product made in Italy, or request their money back plus an indemnification for the damages caused. The SIC analyzed that while the owner was later sanctioned, at the time the statement was made it was only an allegation by the defendant, the sanction was due to an insufficiency of stating the origin of the products. Thus, (i) the affirmations were not exact, (ii) they were irrelevant for the market because they did not allow the consumers to form their preferences and make a decision based on the competition by merits, and (iii) the purpose was to discredit the company among its customers.

Article 27(4) of the Antitrust Law of Ecuador contains a definition that is similar to the one adopted in Colombia. As indicated, this definition refers to this type of unfair practice as acts of denigration. However, the definition is stricter in that it does not admit contrary evidence when the allegations may be discriminatory with regard to the nationality, religious beliefs, intimacy, private or any personal matters of the criticized party. The same rule applies when the language tone of the disparaging allegations ridicule the competitor in the market.

In Peru, discrediting or denigrating acts are defined in a similar way. However, the legislation comprises a more detailed indication of permitted practices. Article 11 of the Unfair Competition Law of Peru allows the conduct specifically when the allegations are true, objective, verifiable, and pertinent to reality; the information is exact because it is clear and pertinent, presenting precise facts without ambiguity relating to the competitor or its offer; the act avoids using satire, irony, or sarcasm; and avoids any discrimination on the basis of nationality, beliefs, intimacy, or any strictly personal circumstances that do not concern economic efficiency.

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<sup>340</sup> Colombia Superintendencia de Industria y Comercio (SIC), 30 August 2012, Decision 4851-2012.

### 3.4 False Assertions

False assertions and deceitful acts are expressly regulated in Colombia, Ecuador, and Peru.

Colombia again directly adopts the text of Article 10bis(3), no. 3 PC which prohibits “indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.” If incorrect or false assertions are used, true facts are omitted, or any other practice may cause errors to the public, an unfair practice is presumed (Article 11 of the Unfair Competition Law of Colombia).

Ecuador and Peru define deceitful practices as every conduct that, as a purpose or effect, may induce the public to error about the nature, manufacturing method, characteristics, use, quality, quantity, price, sale conditions, geographical origin, and any benefit or feature of a product, establishment, or transaction.<sup>341</sup> In Ecuador and Peru, the advertiser has the burden of proof that all assertions are truthful, and it should count with the evidence before making the assertions.<sup>342</sup> In Peru, false testimonials are also included in the concept of deceitful acts<sup>343</sup>. These practices fall under Peru’s acts against the principle of authenticity<sup>344</sup>.

The Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (INDECOPI) in Peru explained the application of the principle of authenticity when deciding whether the term “free of trans fats” was true when used in advertising of a product that contained a minimum quantity of trans fats. Per Article 8.3 of the Unfair Competition Law of Peru, the advertiser had the burden of proof and was required to have evidence *before* using the term. The evidence showed that the quantity of trans fats contained in the product was below the international standards of the FDA and the Codex Alimentarius. However, the lab results post-dated the date of use of the advertising term, thus failing the requirement of Article 8.3. While an infringing conduct existed for not having the evidence in advance, the Competition Tribunal eliminated the sanction and issued a warning deciding that the additional lab results confirmed that the assertion was true with no harm to consumers or the market.<sup>345</sup> The Commission for the Defense of Free Competition of INDECOPI decided<sup>346</sup> on the legality principle to establish an unfair practice when applying Law No. 30021<sup>347</sup> on the Promotion of Healthy Food for Children and Adolescents and its Regulations.<sup>348</sup>

Article 17 of Peru’s Unfair Competition Law qualifies the following as unfair competition acts against the principle of legality: dissemination of advertising that does not comply with the mandatory rules of advertising (Article 17.1); breaching any provision that regulates the performance of advertising activity regarding its content, dissemination, or outreach (Article 17.2).

A sanction was issued ex officio by the Technical Secretary of the Commission for the Defense of Free Competition of Peru’s INDECOPI against a party that had apparently failed to include a warning in its gelatin products required by the Law on the Promotion of Healthy

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<sup>341</sup> Article 27.2 of the Antitrust Law of Ecuador, Article 8 of the Unfair Competition Law of Peru.

<sup>342</sup> Article 8.3 Unfair Competition Law of Peru.

<sup>343</sup> Article 8, Unfair Competition Law of Peru.

<sup>344</sup> Article 16, Unfair Competition Law of Peru.

<sup>345</sup> Peru INDECOPI, 24 April 2018, Decision No 091-2015/SDC-INDECOPI.

<sup>346</sup> Decision No 108-2021/CCD-INDECOPI, June 1, 2021

<sup>347</sup> Peru, Law No. 30021 Ley N° 30021 - Ley de promoción de la alimentación saludable para niños, niñas y adolescentes. (Law on the Promotion of Healthy Food for Children and Adolescents), 2013.

<sup>348</sup> Peru, Supreme Decree No. 017 2017 SA - Reglamento de la Ley N° 30021, Ley de promoción de la alimentación saludable para niños, niñas y adolescentes (Regulations to Law N. 30021 on the Promotion for Healthy Food for Children and Adolescents) 2017.

Foods<sup>349</sup> when the limits for sodium, sugars and saturated or trans fat are exceeded in food or non-alcoholic beverages.

The product seemed to exceed the allowed quantities of sodium but the Commission for the Defense of Free Competition analyzed all relevant legal standards. Since the product (gelatin) needs to be mixed with water to be consumed, it follows from the applicable regulations and interpretations that the analysis needs to be made of the prepared product. Hence, there was no wrongdoing, and the sanction was reversed because there was no violation of laws.

#### 4. Additional Acts of Unfair Competition

##### 4.1 *Unfair Free-riding*

With regard to protection against misappropriation, the Andean Court defined the unfair act of taking advantage of the reputation of other economic operators in 67-IP-2015.<sup>350</sup> It reaffirmed a prior interpretation and recognized that “business positioning is a strong logistical task. Allowing another competitor to take advantage of its positioning in the market leads to a systematic erosion of an entrepreneur’s reputation. Using the prestige of other economic operators must be sanctioned since it generates a deterioration of the corporate position in the market.”<sup>351</sup>

Both Colombia and Peru consider benefiting from a third party’s reputation as an unfair practice. Article 15 of the Unfair Competition Law of Colombia states that using a third party’s good reputation or acquired advantages for its own benefit is an unfair practice. It includes the unauthorized use of any mark, false or deceiving appellations of origin, even when including references to the real origin of the product or terms such as “model,” “system,” “like,” “class,” “imitation,” “similar.”

Colombia’s SIC established that one of the basic principles is that “market participants build their client portfolios on their own efforts instead of the efforts that a competitor has previously implemented.”<sup>352</sup>

Article 10 of the Unfair Competition Law of Peru defines acts that do not fall under confusion acts, including acts the purpose or effect of which is to take advantage of the good image, credit, fame, prestige, or the professional or industrial reputation of a third party. These practices may include unauthorized uses of intellectual property.

In Ecuador, these practices would fall under the general rules related to intellectual property protection<sup>353</sup> or general unjust enrichment rules that prohibit this type of practices in civil law.

##### 4.2 *Protection of Trade Secrets*

Trade secrets are protected in the Andean Community by Article 260 of Andean Decision 486. They are protected as long as they are in fact secret, have a commercial value for being secret, and the owner has taken the necessary measures to keep it secret.

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<sup>349</sup> Article 10, Law on Promotion of Healthy Food. - Advertising warnings. “*In advertising foods and non-alcoholic beverages containing trans-fat, high sugar or saturated fat, the following label should be placed in a clear, legible, prominent and understandable way:*

“*High in (Sodium-sugar-saturated fat): Avoid excessive consumption*”

“*Contains trans-fat: Avoid consumption*”

*This warning is applicable to food and non-alcoholic beverages that exceed the technical parameters established in the regulations.*”

<sup>350</sup> TJCA, 13 May 2015, Prejudicial Interpretation, process 67-IP-2015.

<sup>351</sup> TJCA, 24 July 2013, Prejudicial Interpretation, process 54-IP-2013.

<sup>352</sup> Colombia Superintendencia de Industria y Comercio (SIC), December 2005, case 009-2005.

<sup>353</sup> Article 27.3.a., Unfair Competition Law of Ecuador.

Keepers of trade secrets may assign it or authorize its use to a third party. The authorized party must keep the information secret. Any persons acquiring secret information due to their work, position, profession, or business relationship have the duty to keep it secret and only use it for justified purposes, even after the work or business relationship has ended.

Trade secrets filed before agencies to obtain sale permits should also be protected. Using the information to obtain such permits is not considered unfair.

Article 27(7) of the Antitrust Law of Ecuador is fairly similar to the Andean Decision and adds that a trade secret may be deposited in a sealed envelope before a notary public for evidentiary purposes.

The enforcement mechanisms in Ecuador, Colombia, and Peru are very similar. Article 27(7) of the Antitrust Law of Ecuador, Article 18 of the Unfair Competition Law of Colombia and Article 13 of the Unfair Competition Law of Peru define a trade secret violation as disclosing or using without consent a third party's trade secret either when access to the privileged information was illegal or reserved. These jurisdictions also penalize acquiring a trade secret by means of espionage or inducement to breach secrecy, among others.

#### *4.3 New Rules for Modern Technologies*

Online advertising is covered in Colombia by the Unfair Competition Law as long as the objective, subjective and territorial factors are met. Practices may be deemed unfair regardless of the media used for publication. The same applies when dealing with artificial intelligence and the use of new technologies. It may be said that the legislation is not ready to regulate new, fast-changing practices. Nonetheless, actions following from the use of artificial intelligence or other new technologies may be punishable if they fall under the subject matter requirements for obtaining protection against unfair competition, and their effects cause, or had the intention to affect, the decision of a buyer or consumer, or impact the market.

#### *4.4 Practices Against Competitors*

In Peru, Article 15 of the Unfair Competition Law expressly prohibits business sabotage defining it as practices that may unjustifiably damage the manufacturing or commercial activity of a competitor by interfering with the contractual relationship with its clients, suppliers, workers.

In Ecuador, Article 11(15) of the Antitrust Law prohibits boycotting practices with the purpose of limiting the access to the market or competition of other companies.

Both Peru and Ecuador allow acts that do not impede or hinder the access of current or potential competitors to the market derived from economic efficiency. Peru extends this to offering better conditions for workers and suppliers.

Colombia and Ecuador also consider the inducement to breach a contract an illegal practice. Article 17 of the Unfair Competition Law of Colombia considers it an unfair practice to induce workers, suppliers, clients, or any party to breach a contract with a competitor. The SIC, in the above-mentioned case<sup>354</sup> also sanctioned the former distributor of GA.MA for inducing the breach of a contract because it considered that (i) there was a past contractual relationship between the parties and (ii) the statements issued to the retailers were positive actions seeking the breach of their contracts and (iii) some of the retailers in fact breached their contracts as they removed the GA.MA products from their shelves.

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<sup>354</sup> Colombia Superintendencia de Industria y Comercio (SIC), 30 August 2012, Decision 4851-2012.

Article 27(8) of the Antitrust Law of Ecuador is very similar. However, it adds that it only amounts to an act of unfair competition when the breach relates to an essential provision of the contract, when the purpose is to reveal a trade secret, or when there are deceitful practices or practices carried out with an intention to eliminate a party from the competition. Both jurisdictions allow the inducement to the regular termination of a contract.

#### 4.5 Restrictions of Free Competition

Per Article 7 of Andean Decision 608, an agreement is legally presumed to restrict free competition if its purpose or effects cause either: (a) direct or indirect price-fixing, (b) restrict supply or demand of goods/services, (c) divide the market for goods or services, (d) prevent access to competitors, or (e) disturb the results of public tenders or bids.

Colombia, Ecuador, and Peru have a general provision stating that any practice not expressly defined, may still be considered an act of unfair competition.

Anti-competitive practices that restrict free trade are defined in Article 11 of the Antitrust Law of Ecuador. Some of the illegal practices listed in Article 11 concern *agreements*, such as agreements allocating customers/suppliers to different geographical areas, or with conditions to favor third parties; agreements to dissuade competitors from entering the market or associations; agreements to fix the quality or characteristics of products. Other unfair practices include *restrictions*, such as disturbing the processes of manufacturing, distribution, or trade of goods; restricting supply sources; restricting technological developments; increasing exit barriers; or suspending monopolized services.

Article 19 of the Unfair Competition Law of Colombia forbids exclusivity clauses in supply agreements when the purpose or the effect is to restrict access of competitors to the market or to monopolize the distribution of products or services.

### G. MERCADO COMÚN DEL SUR (MERCOSUR)\*

#### 1. Legislative Framework

The Mercosur does not have a supranational authority. The legislative framework in the different Mercosur countries is not harmonized. Each Mercosur country has its own unfair competition framework. Argentina<sup>355</sup>, Brazil<sup>356</sup>, Paraguay<sup>357</sup> and Uruguay<sup>358</sup> have developed their own approach to ensure compliance with Article 10bis(1) PC.

For example, Brazil has a mix of specific clauses such as “attribution of an unattained reward or distinction as means of advertisement”<sup>359</sup> and general clauses such as “losses caused by infringement of industrial property rights and by acts of unfair competition not provided by this Law that tend to tarnish the reputation or hinder the businesses of others and to create confusion between business facilities, industrial facilities or service providers, or between the products and services commercialized”<sup>360</sup>. Argentina has specific clauses such as “Induction to the breach of contract: induction of employees, suppliers, customers or other linked parties to

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<sup>355</sup> Decree 274/2019 which derogated the Fairtrade Law n. 22.802.

<sup>356</sup> Industrial Property Law 9279/96.

<sup>357</sup> Trademark Law 1294/98.

<sup>358</sup> Decree-Law 14910 (ratifies the Article 10bis of the Paris Convention).

<sup>359</sup> Article 195(VII) of the Industrial Property Law 9279/96.

<sup>360</sup> Article 209 of the Industrial Property Law 9279/96.



the breach of contractual obligations entered with a competitor<sup>361</sup> and Paraguay has a mix of general clauses like “use directly or indirectly any means contrary to the principles of professional ethics that may cause harm to the competitor”<sup>362</sup> and specific clauses such as “disseminate news or appreciations about the products or activity of a competitor to cause their discredit or appropriate the merits of the products of that competitor”<sup>363</sup>.

Besides the main unfair competition regulations, Brazil has specific approaches related to unfair competition conducts regulated within the Consumer Law<sup>364</sup>, Competition Law<sup>365</sup> and Publicity Law<sup>366</sup>. Argentina<sup>367</sup>, Paraguay<sup>368</sup> and Uruguay<sup>369</sup> also have specific regulatory approaches addressing acts of unfair competition.

Although the main purpose of the unfair competition framework in the different countries of Mercosur is focused on the protection of competitors against unfair behaviour in the marketplace, consumer protection is also part of the legal framework and plays a role in court decisions<sup>370</sup>.

## 2. Honest Practices in Industrial or Commercial Matters

The open concept of Article 10*bis*(2) PC<sup>371</sup> is incorporated into Article 80 of the Paraguayan Law 1294/98 stating that “every act against good practices and honourable use in industrial or commercial matters” amounts to an act of unfair competition. In addition to this general clause, Article 81 of the same legislation offers an exemplary list of typical forms of unfair conduct in competition, including but not limited to confusion or association acts, false geographical indications, false or misleading advertisement.

In Brazil, protection against unfair competition follows from the enumeration of fourteen specific cases of unfair conduct in Article 195 of the Brazilian Industrial Property Law 9279/96<sup>372</sup>. In addition, Article 209 of the same Law offers room for the prohibition of “other unfair competition acts not provided for in this Law”. As the Paris Convention itself is considered a directly applicable part of the Brazilian legal system, no additional general clause has been included in the Brazilian statutes<sup>373</sup>. At the same time, fragmented legislative approaches, such as the inclusion of relevant provisions in the Brazilian Consumer Law, Brazilian Competition Law and Brazilian Advertising Self-Regulation are all focused on the

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<sup>361</sup> Article 10(k) of the Decree 274/2019.

<sup>362</sup> Article 108(d) of the Commercial Law 1034/83.

<sup>363</sup> Article 108(c) of the Commercial Law 1034/83.

<sup>364</sup> Consumer Law 8078/90.

<sup>365</sup> Competition Law 12529/2011.

<sup>366</sup> CONAR – Brazilian Advertising Self-Regulation.

<sup>367</sup> Consumer Law 24.240/93; Competition Law 27.442/2018; CONARP – Argentinean Advertising Self-Regulation.

<sup>368</sup> Commercial Law 1034/83.

<sup>369</sup> Competition Law 18159/07 and Trademark Law 17011/98.

<sup>370</sup> Brazilian Superior Court of Justice – STJ, 23 March 2021, case REsp 1679192/SP, Editora Musical Amigos Ltda v. Imobiliária e Construtora Roberto Carlos. See also STJ, 05 December 2013 case REsp 1190341/RJ, Harrods Buenos Aires Ltd. V. Harrods Limited.

<sup>371</sup> “...*competition contrary to honest practices in industrial or commercial matters*...”

<sup>372</sup> The fourteen unfair competition acts could be summarize as: I false statement or II false information about a competitor; III uses of fraudulent means to divert the customers; IV use of slogans or expressions to cause confusion; V unduly use of trade or commercial names of a competitor; VI substitution without consent of the name or company name by its own name or company name; VII unduly advertising to have received a prize/distinction; VIII use of a third-party package or container for sale of an adulterated or counterfeited product; IX offering money or other benefit (bribe) to a competitor’s to have illegal advantage; X receive money or other benefit (bribe) from the competitor to provide illegal advantage; XI unauthorized disclosure or use of trade secrets; XII unauthorized disclosure or use of trade secrets obtained illegally or accessed through fraud; XIII False statement that the product is protected by patent/design; XIV unauthorized use of test results or other undisclosed data.

<sup>373</sup> According to the Brazilian Law the Paris Convention was accepted and it is part of the Brazilian Legal System (Decree 635/1992) and it is used directly as legal basis of several Court’s decisions. See Brazilian Superior Court of Justice – STJ, 15 October 2019, case AgInt in REsp 1527232/SP, SS Industrial S/A. v. Natura Cosméticos S/A.

repression of dishonest conducts in the market. They must be understood as complementary to the main goal of a harmonized approach seeking to foster free competition, industrial property rights, consumer rights and honest competitor's behaviours<sup>374</sup>.

In the Argentinean context, the recent legal approach is based on the concentration of provisions related to unfair competition and competition law in the same decree to ensure fairness and transparency in commercial relations and guarantee the communication of clear essential information about products and services<sup>375</sup>. Besides the general clauses of Articles 8 and 9 of the Argentinean Decree 274/2019, Article 10 prohibits deceiving acts, imitation acts and confusing acts (among others) as dishonest practices. The overarching open clause in Article 9 prohibits any "action or omission that, by improper means, is objectively capable of affecting the competitive position of a person or the proper functioning of the competitive process".

To determine the compliance with honest practices, the members of the MERCOSUR follow a normative approach<sup>376</sup>. The Brazilian Industrial Property Law 9279/96<sup>377</sup>, the Argentinian Decree 274/2019<sup>378</sup>, the Paraguayan Commercial Law 1034/83<sup>379</sup>, the case law<sup>380</sup> and the doctrine<sup>381</sup> recognize the openness of the concept of "dishonest" conduct by using non-exhaustive clauses. In addition, the influence of common practices in the sector and the economic approach have been recognized. As Barbosa states, "...it is not the law that defines the limits of the competition, but the practices, considered in time, place and specific market of the competitors that will define what is lawful or unlawful. When each competitor enters a specific market it finds certain competition standards more or less aggressive that will define its risks. While such standards may change over times or from place to place, there are expected standards and unacceptable standards of competition. Within such standards one can formulate a *reasonable expectation of future revenue*"<sup>382</sup>. Traditionally this perception of common practices in a given sector informed the concept and definition of honest practices and impacted its negative dimension – the identification of unfair acts of competition – as stated by Pontes de Miranda<sup>383</sup>.

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<sup>374</sup> Brazilian Superior Court of Justice – STJ, 28 February 2014, case REsp 1190341/RJ, 21.

<sup>375</sup> Before the Argentinean Decree 274/2019 the doctrine stated the needed of a better and deeper regulation approach to the unfair competition. See Guillermo Cabanellas, "El derecho argentino de la competencia desleal", in: *Derechos Intelectuales*, n. 10, ASIPI, Buenos Aires, Astrea 2003, 113-133.

<sup>376</sup> Article 195 of the Brazilian Industrial Property Law. Article 10 of the Argentinean Decree 274/2019. Article 81 of the Trademark Law 1294/98. Uruguayan Decree-Law 14910 (ratifies the Article 10bis of the Paris Convention).

<sup>377</sup> See Article 209: "The aggrieved party is reserved the right to receive losses and damages in compensation for losses caused by acts of violation of industrial property rights and acts of unfair competition that are not provided for in this law but which tend to prejudice another's reputation or business or to cause confusion between commercial or industrial establishments or providers of services, or between products and services placed on the market."

<sup>378</sup> See Article 10 *in fine*: "...The preceding enumeration is exhaustive for the purposes of imposition of sanctions by the Enforcement Authority and enunciative for the purposes of promoting legal actions by those affected in which case the judge may also apply the general clause established in article 9 of this Decree for cases not expressly provided for in this article."

<sup>379</sup> See Article 108: "Notwithstanding the provisions of special rules on trademarks, patents and other similar rights, the following acts of unfair competition, among others, those that are set out below: (...) (d) to use directly or indirectly any means contrary to the principles of professional ethics that can cause harm to the competitor."

<sup>380</sup> See Court of Appeals of the São Paulo State – TJSP, 12 March 2020, case APC 1009266-14.2016.8.26.0008, *Seguroo Administradora e Corretora de Seguros Eirelli v. Alper Consultoria e Corretora de Seguros S/A*.

<sup>381</sup> Wilson Pinheiro Jabur, "Pressupostos do ato de concorrência desleal", in: Manoel J. Pereira dos Santos and Wilson Pinheiro Jabur, *Criações industriais, segredos de negócio e concorrência desleal*, São Paulo, Saraiva 2007, 335-386.

<sup>382</sup> Denis Borges Barbosa, *Uma introdução à propriedade intelectual*, 2nd ed., Lumen Juris, Rio de Janeiro 2003, 258 (Author's Translation).

<sup>383</sup> Pontes de Miranda stated in 1956 that "what happened in the development of the technique of penal and private repression of unfair competition is similar to what happened in a similar field: that related to corporal fights in its many variants. One had to start from the principle of allowing the fight. Gradually, the passes and blows that were to be prohibited were noted down, so that the fight would not reach extremes" (Francisco Cavalcanti Pontes de Miranda, *Tratado de Direito Privado*, Book XVII, second edition, Rio de Janeiro, Borsoi 1956, 272).

Two Mercosur<sup>384</sup> countries use a mix of closed, exhaustive enumerations of prohibited acts for criminal matters and incorporate the same cases of unfair conduct as illustrative examples for civil matters related to the prohibition of acts of unfair competition<sup>385</sup>. Since Uruguay adopts the legislative option to incorporate the Paris Convention provisions into national law instead of adopting more specific national legislation, it keeps the openness of Article 10bis PC at the domestic level<sup>386</sup>.

In sum, important to mention that MERCOSUR countries focus on the assessment of honesty in industrial or commercial matters as a matter of interpretation of open clauses comparable to Article 10bis(2) PC and several more specific provisions that contain descriptions of individual forms of unfair conduct. The legislation in MERCOSUR countries, thus, reflects the open-ended nature of unfair conduct and seeks to implement sufficiently flexible regulatory solutions into the national legal systems of Member States<sup>387</sup>. The flexible norms in the area of unfair competition are further developed in court decisions<sup>388</sup>.

### 3. Implementation of Specifically Prohibited Acts

The three items listed in Article 10bis(3) PC are implemented in the national legislation of MERCOSUR countries either directly<sup>389</sup> or through specific additional legislation that embodies the contents of Article 10bis(3) PC in each Member State<sup>390</sup>.

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<sup>384</sup> Argentina and Brazil.

<sup>385</sup> Guillermo Cabanellas de las Cuevas. "Fundamentos jurídicos y económicos del régimen de competencia desleal", in: Demetrio A. Chamatropulos; Miguel del Pino (Eds.), *Competencia desleal: análisis del decreto 274-2019*, Buenos Aires: La Ley, 2019, (4-6).

<sup>386</sup> Jorge Achard and Pablo Monsuárez. "La competencia desleal en el Uruguay. Ámbito de aplicación, alcance, configuración y nuevas tendencias en materia de daños y perjuicios", in: Demetrio A. Chamatropulos; Miguel del Pino (Eds.), *Competencia desleal: análisis del decreto 274-2019*, Buenos Aires: La Ley, 2019, (629).

<sup>387</sup> Article 195 (III) Brazilian Industrial Property Law 9279/96. Article 81 (a) Paraguayan Trademark Law 1294/98. Article 108 (b)(d) Paraguayan Commercial Law 1034/83. Articles 8 and 9 Argentinean Commercial Loyalty Decree 274/2019.

<sup>388</sup> See Brazilian Superior Court of Justice – STJ, 27 May 2015, case REsp 1237752/PR, *Auto Shopping Curitiba Administradora de Bens Ltda v. CM Comércio de Veículos Ltda*, stating that: "(...) the legal forum for unfair competition claims the behavior design – sponsored by an economic agent and diagnosed in the business field of a certain product or service – that goes against the conduct-duty that needs to be observed in the duel for the clientele, via means that challenge their suitability in the market and, effectively, or potentially, cause damage to the competitor, since the characterization of the unfair competition/parasitic competition, which is based on the notion of unjust enrichment provided in the article 884 of the Civil Code, is based on evidential elements, and must be evaluated in the face of each concrete case", 32-33. See also Uruguayan National Appeal Board, 10 June 2019, case 99/219 (2-23472/2016), *Doralet S.A., Satenil S.A. and Motenix S.A (NETCOM) v. Mauricio Quintana, Juan Correa, Marcelo Ramírez, Miguel Otegui y Colkey S.A.* stating about unfair competition that: "it is required for its configuration: a) a situation of competition between competitors; b) conduct contrary to rules of commercial loyalty (denigration, internal breakup of the rival company; c) this conduct is susceptible of causing harm to the competitor". See also Paraguayan Supreme Court of Justice, 30 October 2020, case 99/2020, *Multilaser Industrial S.A. v Mohamad Moustapha Jebai*, asserting the Court related to the unfair competition claim that the plaintiff "demonstrate beyond doubt that the defendant's conduct is detrimental to good practices in commercial matter, since denotes acts susceptible confusion or minimally risk of association, even if it is not indirectly, as regards the products of the plaintiff's company. (...) Consequently, it is clear the unfair competition is configured in terms of art. 81(a) of the Trademark Law 294/98 and the art. 10bis of the Paris Convention".

<sup>389</sup> Uruguay is based on the direct application of the Paris Convention without other specific legislation.

<sup>390</sup> Argentina, Brazil and Paraguay included specific dispositions on their domestic laws (industrial property law, consumer law, trademark law, commercial law, competition law) in order to comply with Article 10bis(3) of the Paris Convention.

### 3.1 Creating Confusion

The concept of creating confusion is not fully harmonized in MERCOSUR. However, general clauses<sup>391</sup> and elaborations in the legal doctrine<sup>392</sup> together with case law shed some light on the concept of confusion. For example, the Argentinean Civil and Commercial Federal Court “evaluating conflicting packaging in its integrity, successively and not simultaneously, and assessing the expert’s opinion, graphic designer, ruled that the similarities between them did not conduct to a conclusion of reasonable chances of confusion”<sup>393</sup>.

Given the proximity of unfair competition law to trademark law in the area of protection against confusion, a similar analysis related to the repression of confusing acts has evolved in relevant case law<sup>394</sup>. In the case *Peixe Urbano/Hotel Urbano*, the Brazilian Superior Court of Justice (STJ) recognized that unfair competition based on confusing acts should not be considered abstractly but in the light of the specific behavior intended to create confusion, as ruled by Minister Ricardo Villas Bôas Cueva “The finding that the defendant used unorthodox means to take advantage of the prestige achieved by the plaintiff (PEIXE URBANO) in the online market, or at least from the notoriety of her name, is also supported by the interview content given by the own creators of the HOTEL URBANO website” the State Court’s ruling was confirmed by the STJ<sup>395</sup>.

Comparative advertising is permitted in MERCOSUR when it is in compliance with the specific rules set forth in the MERCOSUR Resolution dealing with advertising (clarity, veracity, misleading publicity and comparative advertising).<sup>396</sup> In particular, the advertising rules seek to ensure that: “a) it is not misleading; b) its main objective is to clarify consumer information; c) it aims, as a basic principle, at objectivity in the comparison and not at the promotion of subjective elements, psychological or emotional data; d) the comparison is based on verifiable evidence; e) the comparison does not constitute unfair competition, by means of discrediting the image of other companies’ products, services or brands; f) the comparison does not promote confusion in relation to other companies’ products, services or brands”<sup>397</sup>.

In general, a likelihood of confusion related to unfair competition<sup>398</sup> can be established when the competitor has “the objective and the potentiality to create confusion as to the origin of the product, diverting customers”<sup>399</sup>.

<sup>391</sup> Article 195(III-IV) of Brazilian Industrial Property Law 9279/96, Article 10(b) of the Argentinean Commercial Loyalty Decree 274/2019, Article 108(b) of the Paraguayan Commercial Law 1034/83.

<sup>392</sup> Alberto Luis Camelier da Silva, *Concorrência desleal: atos de confusão*, São Paulo, Saraiva 2013, 54/135. See also José Henrique Pierangeli, *Crimes contra a Propriedade Industrial & Crimes de Concorrência Desleal*, São Paulo, Revista dos Tribunais 2003, 269/297. See also Hermano Duval, *Concorrência Desleal*, São Paulo, Saraiva, 1976, 224.

<sup>393</sup> See Argentinean Civil and Commercial Federal Court, 26 March 2018, case n° 11.864/2005, General Sweet S.A. v. Victoria Cream S.A.

<sup>394</sup> Demetrio A. Chamatropulos, *La publicidad engañosa em el nuevo Régimen de Lealtad Comercial*, in: Demetrio A. Chamatropulos; Miguel del Pino (Eds.), *Competencia desleal: análisis del decreto 274-2019*, Buenos Aires: La Ley, 2019, 307.

<sup>395</sup> Brazilian Superior Court of Justice – STJ, 10 October 2016, case REsp 1606781/RJ, Hotel Urbano Serviços Digitais S.A. v. Peixe Urbano Web Serviços Digitais Ltda.

<sup>396</sup> MERCOSUR/GMC/RES. 126/96, item III of the Annex.

<sup>397</sup> See also Brazilian Superior Court of Justice – STJ, 26 May 2017, case REsp 1668550/RJ, The Gillette Company/Procter & Gamble do Brasil S/A v. Spectrum Brands Brasil Indústria e Comércio de Bens de Consumo Ltda., reaffirming the application of the MERCOSUR comparative advertising regulation in the Duracell/Rayovac case aligned with a full consideration of the Brazilian Consumer Law, Brazilian Advertising Self-Regulation, Brazilian Industrial Property Law and Brazilian Competition Law.

<sup>398</sup> See Court of Appeals of the São Paulo State – TJSP, 25 August 2021, case APC 1002701-05.2019.8.26.0404, Farmácia Orândia Ltda EPP v. Roberta Garrido Manfio Morelli & Cia Ltda Me., 7.

<sup>399</sup> See Brazilian Superior Court of Justice – STJ, 18 August 1997, case REsp 70015/SP, Soppil Sociedade Paulista de Produtos Industriais Ltda. v. Apolo Objetos de Arte Ltda.

According to the Brazilian STJ the so-called “average consumer” should be considered in order to access the likelihood of confusion “the average man’s perspective (*homo medius*), that is, of the reasonably careful, informed and insightful, which does not rule out a differentiated assessment depending on the degree of specialization of the consumer of the product or service provided”<sup>400</sup>.

### 3.2 *Discrediting and Denigrating Allegations*

Generally speaking the national unfair competition laws and related dispositions in Argentina, Brazil and Paraguay do have specific provisions addressing discrediting and denigrating allegations in the competition environment<sup>401</sup> complying with Article 10bis(3), no. 2, PC.

On the basis of the MERCOSUR members’ national laws which regulates false information or false statement with respect to a competitor as unfair competition acts<sup>402</sup>, case law has evolved that addresses false allegations in the course of trade. The *Oeste Gráfica v. Editora Imprensa* case based on the selective, imprecise and false use of specific information related to the commercial growth of one publishing company denoting a false advantage in a comparison with other publishing company is one example. In this case, the court proceed with a factual analysis to determine, whether a specific research and commercial comparative use conducted by a competitor “did not specify the methods used, did not mention that the plaintiff was the absolute leader in the market, neither was there dissemination of comparative data with previous surveys, as it only demonstrated the supposed growth of the defendant on the main competitor”<sup>403</sup>. The competitor should avoid the use of discrediting and denigrating allegations even when the intention is to show comparative product/service information when the comparison itself is clearly used to praise one’s own products/services when compared those of others<sup>404</sup>. The need to find a balance between sufficient freedom of commercial expression and the prevention of unfair competition in the case of discrediting or denigrating allegations also played an important role in the assessment of publicity campaigns using satire. In *Rio Carioca v. Cervejaria Petrópolis*, where the defendant created a satire campaign stating that “If you do not behave yourself the Santa Claus will bring to you Itaipava” where “Itaipava” it is a brand of the competitor, the final Court’s decision was in favor of the Plaintiff with the grant of the injunction and damages.<sup>405</sup>.

Additional cases<sup>406</sup> related to discrediting and denigrating allegations have also been handled by the Brazilian National Council for Advertising Self-Regulation (CONAR) dealing with the infringement of both the rules of the CONAR Brazilian Advertising self-regulation and the Brazilian Industrial Property Law.

For example, in *McDonald’s v. Burger King* case<sup>407</sup> the use of an evil clown which was similar to the well-know Ronald MacDonald’s clown in a Burger King’s campaign was considered a denigrating campaign that violates the CONAR Rules related to denigrating comparative advertisement<sup>408</sup> and IP Rights<sup>409</sup>.

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<sup>400</sup> Brazilian Superior Court of Justice – STJ, 07 November 2019, case REsp 1336164/SP, Bombril Mercosul S/A v. Tecbril Indústria Química Ltda.

<sup>401</sup> Article 195 (I, II and III) Brazilian Industrial Property Law 9279/96, Article 10 (“i” and “m”) Argentinean Commercial Loyalty Decree 274/2019, Article 108 (“c” and “d”) Paraguayan Commercial Law 1034/83.

<sup>402</sup> Article 195 (I and II) Brazilian Industrial Property Law 9279/96, Article 10 (“i”) Argentinean Commercial Loyalty Decree 274/2019, Article 108 (“c”) Paraguayan Commercial Law 1034/83.

<sup>403</sup> See Court of Appeals of the São Paulo State – TJSP, 1 October 2014, case APC 0011391-83.2008.8.26.0482, *Oeste Gráfica e Editora Ltda v. Editora Imprensa Ltda.*, 5.

<sup>404</sup> Marcus Elidius Michelli de Almeida, *Abuso do direito e concorrência desleal*, São Paulo, Quartir Latin, 2004, 130.

<sup>405</sup> See Court of Appeals of the São Paulo State – TJSP, 18 January 2018, case APC 1002219-58.2016.8.26.0082, *Rio Carioca Alimentos Distribuição Ltda Me v. Cervejaria Petrópolis S/A.*

### 3.3 Misleading Indications or Allegations

The case law also considers misleading indications or allegations as acts of unfair competition in MERCOSUR countries. Recent decisions<sup>410</sup> confirm the application of unfair competition rules to ensure protection against the misleading acts listed in Article 10bis(3), no. 3, PC. In *Minalba Alimentos e Bebidas Ltda v. Danone Ltda.* the discussion was related to the evidenced misleading slogans “MINALBA LESS SODIUM – PROVE” and “LESS SODIUM” and also about the legitimacy of a competitor (plaintiff) to file a lawsuit related to consumer issue, since the discussion was about misleading publicity about the quantity/reduction of sodium in the water advertised by the defendant. The Court’s conclusion was aligned with the evidence (two other mineral waters had less sodium than the defendant water) granting the injunction and recognizing the legitimacy of the plaintiff due to the unfair competition act<sup>411</sup> and misleading advertisement<sup>412</sup>. Also in *Laboratorios Bago S.A v Bristol Myers Squibb Argentina S.R.L.S.*, considering the unprecise price comparison between different products (different number of pills on each product), the conduct was considered an unfair competition act stating that „comparative advertising is legitimate as long as the information provided about the competitor is strictly truthful and presented in a context of loyal and non-disqualifying behaviour“<sup>413</sup>.

Some of the specific conducts related to indications or allegations in the course of trade that are liable to mislead the public are addressed in specific legislation in Argentina, Brazil and Paraguay. Article 10(a) of the Argentinian Decree 274/2019, for instance, defines “acts of deception” as conduct that misleads the public as to “the existence or nature, mode of manufacture or distribution, main characteristics, purity, mixture, suitability for use, quality, quantity, price, conditions of sale or purchase, availability, results that can be expected from its use and, in general, on the attributes, benefits or conditions that correspond to the goods and services.” In Brazil, Article 195(I), (VII) and (XIII) of the Industrial Property Law 9279/96 lists several specific cases of misleading conduct. It refers to situations where one:

- “publishes, by any means, false statements, to the detriment of a competitor, for the purpose of obtaining some advantage” (I);
- “attributes to himself, for advertising purposes, a reward or distinction that he has not received” (VII);

<sup>406</sup> See: CONAR, May 2018, cases 085/18 and 086/18 (TIM/NEXTEL); CONAR, July 2018, case 276/17 (McDonald’s and DPZ&T/Burger King); CONAR, May 2021, case 056/21 (KFC/Popeyes Brasil); CONAR, February 2016, case 240/15 (Reckitt Benckiser Brasil/Lima & Perguer).

<sup>407</sup> See CONAR, July 2018, case 276/17 (McDonald’s and DPZ&T/Burger King).

<sup>408</sup> See CONAR – Brazilian Advertising Self-Regulation Code article 32 (f): “In view of the modern international trends and in compliance with the applicable rules of the Industrial Property Code, comparative advertising shall be accepted, provided that it conforms to the following principles and limits: (f) there shall be no unfair competition, denigration of the product’s image or another company’s product”;

<sup>409</sup> See CONAR – Brazilian Advertising Self-Regulation Code article 43: “No advertisement shall violate the marks, appeals, concepts and rights of third parties, even those used out of the Country and duly related to or associated with another advertiser”.

<sup>410</sup> See Court of Appeals of the São Paulo State – TJSP, 3 February 2015, case APC 1074419-14.2013.8.26.0100, *Minalba Alimentos e Bebidas Ltda v. Danone Ltda.*, 11/12. See also CONAR, February 2021, case 265/20 (Claro/Vivo); CONAR, February 2021, case 258/20 (Unilever Brasil/Salon Line Devintex); CONAR, March 2021, case 032/21 (Claro/TIM); CONAR, May 2021, case 261/20 (Costumer and CONAR/Companhia Hering).

<sup>411</sup> See Industrial Property Law 9279/96, Article 195 (I): A crime of unfair competition is perpetrated by anyone who: I. publishes, by any means, false statements, to the detriment of a competitor, for the purpose of obtaining some advantage;

<sup>412</sup> See CONAR – Brazilian Advertising Self-Regulation Code article 32 (f): “In view of the modern international trends and in compliance with the applicable rules of the Industrial Property Code, comparative advertising shall be accepted, provided that it conforms to the following principles and limits: (f) there shall be no unfair competition, denigration of the product’s image or another company’s product”;

<sup>413</sup> See Argentinean Civil and Commercial Federal Court, 8 September 2011, case n° 520111117, *Laboratorios Bago S.A v Bristol Myers Squibb Argentina S.R.L.S.*

- “sells, displays or offers for sale a product declaring that it is object of a patent that has been filed or granted, or of an industrial design that has been registered, when it has not, or mentioning it in an advertisement or a commercial paper as being filed or patented, or registered, when it has not” (XIII).

In addition, it is possible to include the open clause laid down in Article 195 (III) which navigates between different types of unfair conduct when it states broadly that it amounts to an act of unfair competition when a competitor “employs fraudulent means to divert the customers of another person to his or another party’s advantage”.

Article 81(b) and (f) of the Paraguayan Trademark Law 1294/98 lists as acts of unfair competition:

- “fake descriptions of products or services by the use of words, symbols or other means which could mislead the public with respect to nature, quality or utility of such” (b);
- “the use or propagation of indications or allegations susceptible of causing error or confusion related to the origin, manufacture, possibility of use or consumption or other characteristics of the goods or services own or others” (f).

It is important to add, however, that cases involving potentially misleading allegations require the courts to walk the fine line between false advertising that amounts to misleading dishonest behaviour<sup>414</sup> and the permissible use of exaggerations in advertising. In *Heinz Brasil S/A v. Unilever Brasil Ltda.*, for instance, the defendant Heinz successfully argued that the expressions “best at everything you do” and “the most consumed ketchup in the world” used in an advertising campaign were exaggerated. Nonetheless, the Court of Appeals of the São Paulo State found the use of these exaggerations acceptable. The Court held that the exaggerations would not deceive consumers in the specific market. The plaintiff Unilever also used the same strategy in relation to its own products marketed under the brand Hellmann’s<sup>415</sup>.

#### 4. Additional Acts of Unfair Competition

The MERCOSUR countries have recognized the need to prevent additional acts of unfair competition in their specific national legislations<sup>416</sup>. Slavish imitation, for instance, is also prohibited under the unfair competition system in MERCOSUR<sup>417</sup>.

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<sup>414</sup> See CONAR, October 2015, case 177/17 (Imifarma/Distribuidora Big Benn) related to publicity campaign where Distribuidora Big Benn stated having “the best price”. The decision asserted that this practice cannot be considered as puffing since this can happen only when the consumer can easily identify the overstatement contained in the message.

<sup>415</sup> Court of Appeals of the São Paulo State – TJSP, 12 February 2016, case APC 1004301-65.2013.8.26.0309, *Heinz Brasil S/A v. Unilever Brasil Ltda.*

<sup>416</sup> Besides the unfair competition regulated in fourteen specific items of article 195 of the Brazilian Industrial Property Law 9279/96, the Article 209 of the same Law refers to the openness of “other unfair competition acts not provided for in this Law” making clear the Brazilian option to accomplish with the Article 10bis(2) of the PC legal openness goals. Like in Brazil, the open clause for other unfair competition acts is also present in the Argentinean Decree 274/2019 (Article 9) in which recognizes – together with the list of the list of acts in Article 10 – that any “action or omission that, by improper means, is objectively capable of affecting the competitive position of a person or the proper functioning of the competitive process”. Likewise in Paraguayan Law 1294/98 (Article 80) stating that “every act against good practices and honorable use in industrial or commercial matters” having the list of unfair competition conducts in Article 81 as exemplary only. Since Uruguay follows the Article 10bis PC full text, it is also based on the openness of not listed different and new unfair competition acts.

<sup>417</sup> Newton Silveira, “A propósito da imitação servil”, São Paulo, Migalhas, 14 October 2015, available at <https://www.migalhas.com.br/depeso/228322/a-proposito-da-imitacao-servil>. See also Mariano Peruzzotti and María Milagros Astesiano, “La imitación como supuesto de competencia desleal”, in: Demetrio A. Chamatropulos; Miguel del Pino (Eds.), *Competencia desleal: análisis del decreto 274-2019*, Buenos Aires: La Ley, 2019, 231-239.

In order to summarize the different unfair competition acts and their multiple forms of characterization, it is important to address protection against other acts of unfair competition (4.1), trade secret protection (4.2), trade dress protection (4.3) and contemporaneous dishonest conducts using new technologies that are also considered acts of unfair competition in the MERCOSUR countries (4.4).

#### 4.1 Other acts of unfair competition

When assessing other acts of unfair competition in the field of imitation and misappropriation, it is important to understand the – often unclear – borders of the public domain and the corresponding space for free competition as orientation guidelines. As stated by Barbosa, “[t]he entire mission of law at the level of imitation is not, therefore, to forbid the copy, but exercise a careful balance between the efficiency of allowing the copy and the efficiency of not allowing the copy when this sealing performs a social function. And distinguishing between the two hypotheses, according to what the legal norms prescribe, is all art”<sup>418</sup>.

Following this maxim, unfair free-riding through parasitic behaviour is recognized as an act of unfair competition in MERCOSUR countries but should be carefully evaluated in the light of the evidence provided in each case and during a due procedure of law. In *Flávia Versiani Aragão v. Friedman S/A.*, for instance, the STJ invalidated the State Court’s decision based on the absence of analysis of the full evidence related to the use by a former employee of manuals and content authored by her while working with the plaintiff when afterwards she starts to work with a competitor. The balance of the decision was based on the defendant limited copyright related to manuals produced by her under the labor agreement by that time and the District Court Judge and the State Court’s decisions in not fully evaluate the evidence related to the unfair competition claim, stating that „The best solution, therefore, seems to be to annul the sentence and the State Court judgement, in order to allow the better evaluation of the evidence related to the unfair competition and good faith violation claims”<sup>419</sup>.

#### 4.2 Trade secret protection

Both the legislation<sup>420</sup> and the case law<sup>421</sup> in MERCOSUR countries are aligned with the goal of protecting trade secrets as important assets<sup>422</sup>. The main goal of the protection of trade secrets is to “ensure the free competition that the unfair revelation violates, but also keeping in mind the damages or the possibility of damages that the dishonest conduct inflicts to the owner of the innovation”<sup>423</sup>. For example, the unfair conducts in Argentina, Brazil and Paraguay are clearly conceptualized in the national legislations:

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<sup>418</sup> Denis Borges Barbosa, *A concorrência desleal e sua vertente parasitária*, Rio de Janeiro, Revista da ABPI n. 116, Jan/Fev 2012, 21.

<sup>419</sup> See Brazilian Superior Court of Justice – STJ, 27 October 2015, case REsp 1380630/RJ, Flávia Versiani Aragão v. Friedman S/A.

<sup>420</sup> Article 195 (XI, XII, XIV) of the Brazilian Industrial Property Law 9279/96 and article 482 (g) of the Brazilian Labor Law 5452/43. Article 10 (j) of the Argentinean Commercial Loyalty Decree 274/2019. Article 2 and 3 of the Paraguayan Law about Undisclosed Information 3283/2007.

<sup>421</sup> Even with the legislation recognizing the trade secret protection, the case law is not numerous due to the recognized difficulty in collecting, using and evaluating (*Expert*) valid evidence. See Brazilian Superior Court of Justice – STJ, 11 December 2019, case REsp 1792449/RJ, Sicpa S/A v. Valid Soluções S/A. According to the decision there was no sufficient evidence and clear technical comparison involving the technologies/methods/information protected by trade secrets to conclude that the former employees of the plaintiff conducted the defendant to access the trade secrets. And this decision is aligned with the MERCOSUR countries’ interpretation of the trade secrets provisions, which rely on the duty of the plaintiff to provide clear evidence about the conduct of the infringer (see article 195, XI and XII of the Brazilian Industrial Property Law 9279/96) and the infringer had the intention of obtaining advantage with the infringement (see Article 10 (j) of the Argentinean Commercial Loyalty Decree 274/2019).

<sup>422</sup> See: Cesar Flores, *Segredo Industrial e o Know-How: Aspectos jurídicos internacionais*, Lumen Juris, Rio de Janeiro 2008, 33. See also: José Henrique Pierangeli, *Crimes contra a Propriedade Industrial & Crimes de Concorrência Desleal*, São Paulo, Revista dos Tribunais 2003, 364.

<sup>423</sup> Pierangeli, *Crimes contra a propriedade industrial*, at 365.



- disclosing or exploiting, without authorization from the owner, business secrets unrelated to those that have been had access, legitimately but with a duty of reserve, or illegitimately. For these purposes it will be considered unfair the acquisition of trade secrets through espionage or similar procedures, without prejudice to the sanctions that other legal provisions set. It will be necessary that the infringement has been carried out with the intention of obtaining own profit or for a third party, or intention to harm the owner of the secret (Article 10(j) of the Argentinean Commercial Loyalty Decree 274/2019).
- divulges, exploits, or utilizes, without authorization, confidential knowledge, information or data that could be used in industry, commerce or rendering of services, other than that which is of public knowledge or that would be evident to a person skilled in the art, to which he gained access by means of a contractual or employment relationship, even after the termination of the contract; divulges, exploits or utilizes, without authorization, the kind of knowledge or information to which the previous Item refers, when obtained by illicit means or when access was gained through fraud (Article 195, XI and XII, of the Brazilian Industrial Property Law 9279/96).
- non-disclosed information: all kinds of technical, commercial or business information that: 1) Is secret, in the sense that it is not, as a whole or in the precise configuration and composition of its elements, generally known or easily accessible by people introduced in the circles in which this type of information is normally used. 2) It has commercial value because it is secret. 3) Has been subjected by the natural or legal person that has produced it or has it legitimately under its control of reasonable measures to keep it secret. Acquisition contrary to honest commercial uses: Represents illegal or unlawful conduct of breach of confidentiality clauses in contracts, abuse of trust, violation of secrets, instigation of infringement and acquisition of undisclosed information, by third parties who have known that the acquisition involved such practices (Article 2 and 3 of the Paraguayan Law about Undisclosed Information 3283/2007).

It is important to stress that both Article 10bis PC and Article 39 TRIPS are incorporated and considered in Brazilian Court Decisions related to trade secret violation<sup>424</sup>. In *Honda Motor Co. Ltda v. Toyama do Brasil Máquinas Ltda.*, the plaintiff claimed that the defendant incurs in bad faith conduct based on unfair competition claim because the defendant used industrial design and general appearance of one motor pretty similar, deceiving consumers and generating confusion between the consumers. The Court understood that the evidence conduct to the non-characterization of the unfair competition act stressing that “in order to characterize disloyalty in competition, the parameter is not legal, but factual. It is necessary that the acts of competition are contrary to ‘honest uses in industrial or commercial matters (Paris Convention art. 10bis) or to ‘honest commercial practices’ (TRIPS, art. 39) – always determined according to the context factual of each market, in each place, in each time”.

#### 4.3 Trade Dress protection

MERCOSUR countries provide for protection against trade dress violations as acts of unfair competition<sup>425</sup>. There are plenty recent court decisions recognizing the protection of trade dress<sup>426</sup>. For example, in *Athletic Way Com. Equip. para Ginástica e Fisioterapia Ltda v. Technogym Equip. de Ginástica e Solução para Bem-Estar Ltda.* related to trade dress

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<sup>424</sup> See Brazilian Superior Court of Justice – STJ, 18 March 2014, case AREsp 467797/PR, Honda Motor Company Ltda v. Toyama do Brasil Máquinas Ltda.

<sup>425</sup> José Carlos Tinoco Soares, *Concorrência desleal vs. Trade Dress e/ou Conjunto-Imagem*, São Paulo, Editora do Autor, 2004.

<sup>426</sup> See Brazilian Superior Court of Justice – STJ, 16 April 2021, case REsp 1697466/RJ, Athletic Way Com. Equip. para Ginástica e Fisioterapia Ltda v. Technogym Equip. de Ginástica e Solução para Bem-Estar Ltda. In the same line see also other cases from STJ: 18 December 2018, case Resp. 1527232/SP, Natura Cosméticos S.A. v. SS Industrial S.A.; 05 December 2019, case Resp. 1843339/SP, Laboratorio Catarinense Ltda v. Hypera S/A.

violations based on the similarity of gymnastic equipments overall appearance, the Brazilian Superior Court of Justice asserted that “The ‘trade dress’ consists of the image-set used to identify a service or product in order to attract customers, visually associating them with the brand. Its protection can occur through the registration of the mixed trademark, the three-dimensional figure or the industrial design, or even through the institute of unfair competition, when referring to the non-registered visual set (colors, graphic elements, packaging, writing, etc.). It is understood, therefore, that the issue of unfair competition is a matter of residual protection under the Intellectual Property Law, depriving it of its objectivity. It is important to stress that the visual set of products deserves legal protection regardless of any other formality, as their registration is unnecessary to claim their protection<sup>427</sup>, confirming the State Court ruling of the trade dress infringement and damages award connected to it.

Important to stress that the recent case law establishes the need of an official expert analysis considering distinctiveness, functionality, consumption habits, and the degree of attention of the average consumer related to the specific market in order to have clear evidence about the unfair conduct in the eyes of the market<sup>428</sup>. For example, in *Ritter Alimentos S/A v. Kiviks Masknad Indústrias Alimentícias S.A* the Superior Court of Justice ruled that “The occurrence of imitation and the conclusion for unfair competition must be made in a case by case analysis. It is essential, therefore, the assistance of an expert who can assess aspects related to the market, consumption habits, advertising and marketing techniques, the degree of attention of the average or typical consumer of the related product, the time when the product was made available on the market, as well as other elements that give identity to the product or service overall appearance”<sup>429</sup>.

#### 4.4 Other dishonest conduct using new technologies

Recently, challenges arising from the use of new technologies, such as the internet, have led to new regulations in MERCOSUR countries<sup>430</sup> related to the liberty, privacy, duty of transparency and neutrality of the network<sup>431</sup>. In the case *Insulfilm Do Brasil Ltda./Google Brasil Internet Ltda.*, the São Paulo State Court finally held, after an STJ decision pointing out the need for a review of the individual facts of the case, that Google had to proceed with the removal of keyword advertising containing the trademark INSULFILM used by competitors. At the same time, Google was not responsible for damages since the ad content was provided by the advertisers and not by Google<sup>432</sup>.

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<sup>427</sup> Brazilian Superior Court of Justice – STJ, 16 April 2021, case REsp 1697466/RJ, *Athletic Way Com. Equip. para Ginastica e Fisioterapia Ltda v. Technogym Equip. de Ginástica e Solução para Bem-Estar Ltda*. See also Uruguayan National Court of Appeals, 24 July 2013, case SEF-0009-000124/2013 (0002-031564/2011), *Ferrero SPA v. Merfix S.A.*, related to the imitation of the overall appearance of chocolate bonbons where the trade dress infringement was recognized based on “It is not a question of such confusability between the name Ferrero Rocher and Love Story – which notoriously does not exist – but rather it is in the way of presenting the products where there are similarities that generate confusion for the consumer. It is clear that a portion of the public can be misled into buying Love Story chocolates when their intention was to buy Ferrero Rocher chocolates. The name of the products themselves cannot be confused, but their presentation (trade dress) is”.

<sup>428</sup> See Brazilian Superior Court of Justice – STJ, 28 September 2017, case REsp 1353451/MG, *S/A Fábrica de Tecidos São João Evangelista v. Companhia Manufatora de Tecidos de Algodão*. In the same line see also other cases from STJ: 13 March 2018, case 1591294/PR, *BRF Brasil Foods S/A v. Société des Produits Nestlé S/A*. and 19 December 2018, case 1778910/SP, *Ritter Alimentos S/A v. Kiviks Masknad Indústrias Alimentícias S.A.*

<sup>429</sup> See Brazilian Superior Court of Justice – STJ, 19 December 2018, case 1778910/SP, *Ritter Alimentos S/A v. Kiviks Masknad Indústrias Alimentícias S.A.*

<sup>430</sup> See Brazil’s Internet Bill of Rights Law n. 12965/2014 and its Regulatory Decree n. 8771/2016.

<sup>431</sup> See Article 3 (I-IV) of the Brazil’s Internet Bill of Rights Law n. 12965/2014.

<sup>432</sup> See Brazilian Superior Court of Justice – STJ, 29 May 2019, case AREsp 1383651, *Insulfilm do Brasil Ltda v. Google Brasil Internet Ltda.*, 3-4. See also STJ, 09 April 2019, case AREsp 1450872/SP, *Google Brasil Internet Ltda v. Estok Comércio e Representações S.A.*

Another important discussion point in MERCOSUR countries is related to acts of unfair competition that take place on online marketplaces and raises the question whether the provider of the online marketplace can be held responsible for unfair conduct of its multiple sellers<sup>433</sup>.

A recent guideline on influencer marketing<sup>434</sup> was issued by the CONAR. It establishes a more structured regulation on this activity. The transparency principle is highlighted by the guideline stressing that “it is fundamental to clarify in the postings the relationship with the Advertisers and/or Agencies”. A similar guideline was issued in 2020 by the CONARP<sup>435</sup> stressing that “The message must be truthful and avoid any deception or exaggeration that violates the good faith of the public, abuse of trust or exploit the audience’s lack of culture, knowledge or experience. No message, direct or indirect, it may contain descriptions, images or texts that contribute to confuse the consumer follower or make them believe that the product that communicates does something that is not within their possibilities, except obvious exaggerations used to amuse or attract attention”.

## H. ARAB REGION\*

The Arab world is far from being unitary and homogeneous, consisting of twenty-two countries,<sup>436</sup> geographically spread on three main regions,<sup>437</sup> and characterized by a common Arabic language. They are all developing countries, six of them belong to the category of the least developed countries.<sup>438</sup>

The different legal systems have undergone radical changes along with the emergence of centralized Arab nation states.<sup>439</sup> The forms of justice are contrasted from one country to another,<sup>440</sup> and Arab culture cannot be held to be the founder of a particular organization of the judiciary.<sup>441</sup>

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<sup>433</sup> While the consumer case law based on the Consumer Law 8078/90 is consistent related to the objective responsibility of all the members of the supply chain (see Brazilian Superior Court of Justice – STJ, 27 May 2020, case REsp 1552080/GO, Paulo Horto Leilões Ltda v. Mario Ribeiro de Castro) the same is not clear yet when related to the responsibility of the marketplace (B2W) related to the goods/services sold by third parties consisting of unfair competition acts (the marketplace is responsible to cancel the ads when requested, but it is not liable for damages when in compliance with the article 19 (I) of the Law 12965/2014. See Court of Appeals of the São Paulo State – TJSP, 04 May 2021, case APC 1000500-63.2019.8.26.0073, B2W Companhia Digital v. A.Israel – EPP, 8).  
<sup>434</sup> CONAR Digital Influencer Advertising Guidelines (2021). Available at [http://conar.org.br/pdf/CONAR\\_Digital-Influencer-Advertising-Guidelines\\_2021-03-11.pdf](http://conar.org.br/pdf/CONAR_Digital-Influencer-Advertising-Guidelines_2021-03-11.pdf).

<sup>435</sup> CONARP Influencers Guide to the communication with commercial purposes. Available at <http://www.conarp.org.ar/docs/Conarp-PaperInfluencers-ju2020.pdf>.

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<sup>436</sup> All Arab countries are members of the League of Arab States.

<sup>437</sup> North Africa, Eastern Mediterranean or the Middle East, and the Arabian Peninsula.

<sup>438</sup> Comoros, Djibouti, Mauritania, Somalia, Sudan, and Yemen.

<sup>439</sup> Following the French and British mandates, new Arab nation-states renewed their efforts at modernizing their respective laws and judiciaries.

<sup>440</sup> From the late 19<sup>th</sup> century, countries in the Arab region responded differently to the overarching legal developments which came to shape the legal systems and set the judicial role onto distinct paths of developments in several countries.

<sup>441</sup> There were three types of legal experiences in the Arab region. First were states that continued with an uncodified version of the Islamic Shari'a best exemplified by Saudi Arabia. Second were states under Ottoman control during the second half of the 19<sup>th</sup> century, where the Mejlle was applied and remained after the fall of the Ottoman Empire and the advent of the French and British mandates. Third were those jurisdictions which borrowed French law, such as Lebanon. A fourth type of legal experience emerged in the region with Sanhuri's contributions. Enid Hill, “Sanhūrī and Islamic Law: The Place and Significance of Islamic Law in the Life and Work of ‘Abd al-Razzaq Ahmad Sanhūrī, Egyptian Jurist and Scholar: 1895-1971”, *Arab Law Quarterly* Vol. 3, No. 1 (Feb., 1988), 33-64.

Most of the Arab countries have adopted a judicial system similar to the French system.<sup>442</sup> This is partly due to the colonial presence<sup>443</sup> such in Algeria, Djibouti, Lebanon, Morocco, Mauritania, Syria and Tunisia.

The different Arab countries' laws are not harmonized in one text that applies in all or part of the Arab world. This report will focus on the laws and precedents of some countries, specifically one or more from each region.<sup>444</sup> Examples from other countries are added where appropriate to illustrate the protection against unfair competition in the Arab region's WIPO Member States.

## 1. Legislative Framework

The diversity of development levels and the economic structure of the Arab countries along with globalization making its way resulted in heterogeneous economic, social, and legal changes. Yet, most of the Arab countries consecrate the idea of the market and the freedom of commerce, although no harmonized legislation exists to address antitrust and unfair competition challenges. Regulations, policy measures and specialized authorities have been implemented at national levels, contributing to the regulatory reforms.<sup>445</sup> They are supposed to regulate competition in each market, including the protection of consumers against misleading and aggressive practices.<sup>446</sup> Besides competition law which is part of the economic public order of each country,<sup>447</sup> unfair competition is further explored through the various objects it intends to protect. Disparate national laws in the Arab world condemn at different levels traders who inflict abusive business practice on their competitors.

Given the proximity to intellectual property law, some countries have enacted specific unfair competition provisions in their intellectual property legislation. In Lebanon, only two articles deal with unfair competition and empower the courts to decide whether an act constitutes unfair competition or not.<sup>448</sup> But such provisions are wide enough to cover cases involving industrial property rights and their infringement, which can be seen as a form of unfair

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<sup>442</sup> With the exception of Saudi Arabia (sui generis system mixing religious courts and administrative bodies with judicial competence) and with important nuances for various Gulf countries (more marked subsistence of religious courts in family and criminal matters).

<sup>443</sup> But also, to the existence of a tradition of legal cooperation not exempt from a desire to resist the British presence.

<sup>444</sup> Mainly Egypt (Egypt exercised a predominant position legislatively and jurisprudentially in the Middle East, and particularly the Arabian Peninsula), Lebanon (the Lebanese Industrial Property law is the oldest one in the region in force today and it includes specific provisions regarding unfair competition), Morocco (the Moroccan legislator has translated Article 10bis and integrated it into the IP law), and the UAE (The UAE shares somehow similar political system and a common social and cultural outlook of the GCC States). On the influence of the Egyptian law on Arab countries, see Ian Edge, "Comparative Commercial Law of Egypt and the Arabian Gulf", 34 *Clev. St. L. Rev.* 129-144 (1985-1986).

<sup>445</sup> KSA enacted its new Competition Law pursuant to Royal decree No. M/75 of 2019 with the aim to combat unfair practices affecting consumer's interests to lead to the development of the economy and reach fair competition in the market; Bahrain issued Law No. 31 of 2018 with respect to the Competition Promotion and Protection to boost its economic diversification and liberalization further; Jordan enacted the Competition Law No. 33 of 2004 covering anticompetitive collusions, abuse of dominant position, regulating mergers and acquisitions, and ensuring fairness of economic transactions; The Egyptian Competition Law No. 3 of 2005 was enacted to ensure economic activity does not prevent restrict or damage the freedom of competition.

<sup>446</sup> Except for Lebanon and Libya, all the Arab countries have either laws or policies and/or specialized agencies or councils to eliminate anti-competition practices, to boost their economic diversification and liberalization further. A Competition Law Draft relying heavily on French legislation has been presented to the Lebanese Parliament in 2019 but is still to be enacted.

<sup>447</sup> The existence of competition laws but without complementary consumer laws has failed to protect the consumers against harm by companies, given that competition laws may not comprehensively cover consumer issues. Hassan Qaqaya and George Lipimile, *The Effects of Anti-Competitive Business Practices on Developing Countries and their Development Prospects*, UNCTAD, 2008, 68. Available at [https://unctad.org/en/docs/ditccpl20082\\_en.pdf](https://unctad.org/en/docs/ditccpl20082_en.pdf)

<sup>448</sup> The Lebanese Commercial and Industrial Property Law No. 2385 of 1924, Section 5: Unlawful Competition, Article 97 and 98.

competition. The acts of unfair competition are summarized by Lebanese scholars as follows: creating confusion in the consumer's mind between two competitors, their businesses, or their products by counterfeiting a commercial name, trademark, design or model, for instance; defamation; and creating disorder in the market through comparative advertising. In addition, there is a relatively new application of the theory of unfair competition known as "parasitism".<sup>449</sup>

In Morocco,<sup>450</sup> Oman,<sup>451</sup> and in Syria,<sup>452</sup> alike provisions have been adopted based on a general criterion condemning any act that contradicts the honest practices in the industrial or commercial field. It includes all acts of any kind that may, by any means, lead to confusion with a competitor's enterprise, its products, or its industrial or commercial activity; any false allegations in the conduct of trade if they are likely to harm the reputation of a competitor's enterprise, its products, or its industrial or commercial activity; any statement or allegation which in the conduct of trade, would mislead the public as to the nature of the goods, the method of manufacture, their features, usability, or their quantity.<sup>453</sup>

Other countries incorporated unfair competition provisions into different laws. The Law on Combating Fraud and Deception in Commercial Transactions in the United Arab Emirates<sup>454</sup> includes a specific prohibition on a merchant, manufacturer or producer from carrying out acts such as the direct or indirect use of an incorrect or misleading statement about the origin or source of the goods or about the identity of the producer or manufacturer who supplied them. It is also prohibited to

- make direct or indirect use of an incorrect or misleading original denomination, or imitation of the original denomination, even if the real origin of the goods is mentioned, or use the denomination in translation or accompanied by words such as type, model, imitation, or the like;
- knowingly use a forged or imitated trademark or change a trademark in any way;
- carry out actions that lead to the creation of confusion or confusion in any way with the commercial names of competitors, their products, or their industrial or commercial activity.

Similarly in the United Arab Emirates, the Commercial Transactions Code<sup>455</sup> prohibits a trader from inducing a competitor's employees or workers to usurp the customers, or disclose the competitor's secrets. Besides, a trader may not resort to fraud and cheating when marketing his goods, nor may he spread or publish false particulars tending to be prejudicial to the interests of another competitor trader; in default, he shall be liable for damages.

Jordan enacted a specific law to improve the enforceability of the prohibition of unfair competition contained in the Paris Convention. This law adopted the provisions of Article 10bis(1) PC and added to it further condemnable acts.<sup>456</sup> Mainly, any practice reducing the

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<sup>449</sup> An act of "parasitism" consists of the use by a competitor of his opponent's efforts and acts sparing himself the required investments to accomplish said efforts and acts.

<sup>450</sup> The Moroccan Industrial Property Law No. 17-97 of 2000, Chapter VI, Section 3: *Unfair Competition*.

<sup>451</sup> The Omani Royal Decree No. 67 of 2008 promulgating the Law on Industrial Property Rights, Part III: *Protection Against Unfair Competition*

<sup>452</sup> The Syrian Law No. 8 of 2007 on Trademarks, Geographical Indications, Industrial Designs and Unfair Competition, Chapter VI: *Protection against unfair competition and protection of trade secrets*.

<sup>453</sup> Article 184 of the Moroccan Law No. 17-97 of 2000, and Article 116 of the Syrian Law No. 8 of 2007 abovementioned.

<sup>454</sup> Ministerial Decision No. 26 of 1984 Concerning the Executive Regulations of Law No. 4 of 1979 on Combating Fraud and Deception in Commercial Transactions (as amended up to Ministerial Decision No. 26 of 2003), Chapter 1: *Trade Data and Unfair Competition*, Article 5. Available at: <https://wipolex.wipo.int/en/legislation/details/19818>

<sup>455</sup> The UAE Commercial Transactions Code promulgated by Federal Law No. 18 of 1993, Part Two, Chapter One: *Business Premises, Trade Name and Unfair Competition*, Articles 64 to 70. Available at: <https://wipolex.wipo.int/en/legislation/details/10465>

<sup>456</sup> Jordanian Law No. 15 of 2000 on Unfair Competition and Trade Secrets, Article 2. Available at: <https://wipolex.wipo.int/en/text/128321>

reputation of another's product, causing confusion in respect of another product's general shape or presentation, or misleading the public on declaring the product price or the method of counting thereof; any act leading to the dilution of a product's distinctive characteristics or imitating its external three-dimensional shape, its weight, size, presentation and packaging, as well as its drawings and decorations. This law also protects against acts of unfair competition misleading the public regarding a trademark used in Jordan, whether it is registered or not. It covers any distinctive mark regardless of whether it is well-known in the sense of the trademark legislation. Hence, where a trademark owner claims an infringement upon his mark, the owner may also elect to sue for damages in addition to the remedies afforded under the trademark law.

The Egyptian Commercial Code provides a general standard for unfair competition, where it considers as such any act that violates the customs and principles observed in transactions. This includes, in particular, the infringement of third parties' marks, trade names, patents, or trade secrets, inciting employees to divulge trade secrets, or quitting work, as well as every act or claim that would cause confusion with the business or products, or weakening confidence in its owner, in those who manage it, or in its products.<sup>457</sup> Also, the Consumer Protection Law in Egypt condemns acts that would create an incorrect or misleading impression to the consumer or lead to the consumer falling into confusion or mistake.<sup>458</sup>

The Algerian legislator did not enact specific conditions for the unfair competition lawsuit. The Law on Commercial Practice Rules prohibits all unfair commercial practices contrary to honest and fair practices and by which an economic agent harms the interests of one or more other economic agents, such as spreading malicious information denigrating a competitor's products or services; imitating a competitor's distinctive signs, products or services and advertisements in order to rally customers by creating a risk of confusion.<sup>459</sup>

In most of the Arab countries, the theory of unfair competition has been developed by case law on the basis of civil liability or general tort provisions.<sup>460</sup> The three conditions must be met: a fault or the breach of a legal obligation provided for by law; the damage; and the causal link between the damage and the fault.

While ensuring a certain regulation of the markets by preventing and repressing competitive damage, including both disturbances caused to economic agents and damage to competition, unfair competition rules in Arab countries protect the interests of consumers, even if this is not its main objective. In general, unfair competition action is aimed at protecting traders, not consumers, unless the condemnable act is enshrined or related to consumer protection law or rule. In this case, also consumers are protected and can bring an action before courts against the infringing party.

## 2. Honest Practices in Industrial or Commercial Matters

Article 10bis(2) PC has not resulted in the Arab world in a uniform implementation, let alone the interpretation of what protection against unfair competition entails. The approach to determining compliance with honest practices is mainly a normative one based on perceptions of honesty in commerce. Such a criterion rests on flexible, general clauses in the laws of the Arab countries. The exact meaning of the expression "honest practices in industrial or

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<sup>457</sup> Egyptian Commercial Code promulgated by Law No. 17 of 1999, Part II: *Commercial Obligations and Contracts*, Article 66. Available at: <https://wipo.int/en/legislation/details/13558>

<sup>458</sup> Egyptian Consumer Protection Law enacted by law No. 67 of 2006, Article 6. Available at: <https://www.wipo.int/edocs/lexdocs/laws/en/eg/eg012en.pdf>

<sup>459</sup> Algerian Law No. 04-02 of 2004 on Commercial Practice Rules, Chapter IV, Article 26. Available at: <https://wipo.int/en/text/333918>

<sup>460</sup> Unfair competition action could be based on the concept of abuse of right. At a normative level fair competition is sought to be as a granted right for traders according to commercial customs whereby unfair competition is an abuse of such right. Anyhow, courts apply the principles of fault to condemn abuse of right.

commercial matters” is not provided in statutory law. There is no general definition of honest or dishonest practices but criteria deriving from case law.

Notwithstanding the differences between countries, certain aspects of practices can however be considered unfair. Some Arab countries’ laws enumerate and prohibit specific acts explicitly, such as Egypt, Algeria, Jordan, the United Arab Emirates, and Morocco. Other countries do not detail a typology of unfair competition acts, such as Lebanon. However, in most of the Arab countries, the judiciary has the power to decide on a case-by-case basis whether an act is “fair” or “unfair”.

The Lebanese law, for instance, establishes a comprehensive and flexible legal proceedings system instead of defining specific acts of unfair competition. Such a system applies to any possible unfair competition activity. On the one hand, it protects the exclusive rights granted in IP law, mainly trademarks, that cannot be criminally protected by the provisions of said law or by the provisions of the Lebanese Criminal Code because of the non-fulfilment of one or more conditions for criminal prosecution. On the other hand, this law gives the judge the freedom to assess each situation for which no specific statute could apply.<sup>461</sup> This latter covers any act of which the courts will have the discretion to decide the appropriate judgment.

Courts in the Arab world attempted to set a definition for unfair competition and definitions have varied as some focused on the means used in unfair competition, while others focused on what is intended by it. For instance, the Egyptian Court of Cassation defined unfair competition as the delinquent action subjecting its perpetrator to compensate for the damage resulting from it. In line with this approach, actions violating the law or customs, or use of means violating the principles of trust and honour during transactions, shall be considered a violation of the limits of fair competition if the aim is to cause confusion between two commercial entities, or disrupt one of them by attracting the clients of one of the entities towards the other or causes the loss of clients of one of the entities.<sup>462</sup>

The courts in the United Arab Emirates mentioned unfair competition in many judgments without defining it.<sup>463</sup> For instance, the Federal Supreme Court of the United Arab Emirates stated that no trademark shall be registered if it is identical or similar to a trademark previously registered, implying that the rejection of a request to register a trademark shall be a result of the presence of a similar or identical trademark registered with another name and that this rejection shall protect others and prevent unfair competition. In another case, the Court used the phrase “violating the principles of fair competition”.<sup>464</sup>

The Lebanese Court of Cassation stated that “a trader must follow principles of legal integrity, which may be followed during competition between traders. A trader’s use of suspicious or twisted methods in competition leads to considering such conduct as unfair competition”.<sup>465</sup>

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<sup>461</sup> The Lebanese Commercial and Industrial Property Law No. 2385 of 1924, Section 5: Unlawful Competition, Article 97: “The following shall be considered unfair competition: 1. Any violation of this law in which one of the requirements for the application of the sanctions provided for in Section 6 below is missing; 2. Any act that the courts are free to consider and assume to be unfair competition”.

<sup>462</sup> Egyptian Court of Cassation Decision No. 62 dated June 25, 1959, cited in Ramzi Madi and Mohammad Almistarehi, “The Unfair Competition Lawsuit for Protecting the Unregistered Trademark”, *Int. J. Economics and Business Research* Vol. 19, No. 1, (2020), 46.

<sup>463</sup> In the UAE neither the Commercial Transactions Code nor the courts mentioned a definition for the concept of unfair competition. The courts have used in many judgments the provisions enshrined in said code and related to unfair competition in the field of commercial business, to protect unregistered trademarks. The UAE Commercial Transactions Code promulgated by Federal Law No. 18 of 1993. Available at: <https://wipolex.wipo.int/en/legislation/details/10465>

<sup>464</sup> Respectively, Cassation No. 509 of 2010 and Cassation No. 586 of 2015, as cited in Madi and Almistarehi, “The Unfair Competition Lawsuit for Protecting the Unregistered Trademark”, 46.

<sup>465</sup> The Lebanese Court of Cassation Judgement No. 116 dated 23/10/1969, available in Arabic at: <http://legallaw.ul.edu.lb/>

Through the different jurisprudential definitions, general characteristics defining unfair competition may arise: doing actions in competition that are not in accordance with the rules of honesty, honour and integrity that are generally accepted in the commercial community and compliant with commerce custom, whether these acts were committed in bad faith or good faith; such competition is between persons engaged in a similar or close commercial activity, the assessment of the competitive relationship is up to the trial court; and the harm resulting from these acts is contrary to commercial laws and customs.

### 3. Implementation of Specifically Prohibited Acts

The courts have set the following three criteria for a finding of an act of unfair competition: the existence of a state of competition between two parties; an act of unfair competition carried out by one of the parties. The courts usually look for the existence of such an act on the side of the defendant; and the damages suffered by the injured party.

Concerning unfair acts listed in Art. 10bis(3) PC, the laws in some Arab countries condemn in general the uses that lead to confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3).

#### 3.1 *Creating Confusion*

Acts of unfair competition in the area of confusion result in general from a competitive relationship to attract the customers of a competitor in a similar field of activity, products, or services. Otherwise, it would be difficult to substantiate a likelihood of confusion. There may be confusion not only toward a registered trademark but also regarding other distinctive elements of a product or service such as their distinctive look, their origin, or their characteristics. In Jordan, one of the criteria set by the courts to qualify an act as unfair competition is that it creates confusion between two trademarks,<sup>466</sup> or at least a risk of confusion.<sup>467</sup> In Lebanon, many court decisions stated that creating a risk of confusion for the average consumer between two products or services, not specifically two registered trademarks, constitutes unfair competition.<sup>468</sup> In Morocco, the Court of Cassation decided that what counts is the similarity between two trademarks, not the differences,<sup>469</sup> but that confusion is to be reprehensible only if the two competitors are geographically close to each other,<sup>470</sup> unless the use is of a same trademark which is notorious.<sup>471</sup> The Abu Dhabi Court of Cassation mentioned unfair competition in a number of its judgments, and stated that “it has also been decided that legal protection of commercial names is a protection against unfair competition, which could confuse with another competitor, his products or his commercial activities”.<sup>472</sup>

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<sup>466</sup> The Jordanian Court of Cassation, case No. 355, dated February 27, 2002, Plenary Assembly, (the Value Plus Case), as cited in Antoine Nachef, *The Legal Regime of Advertising and Trademarks in Lebanon, Arab Countries, and France*, AlGhazal, Beirut, 2009, 530.

<sup>467</sup> The Jordanian High Court of Justice, case No. 427, dated January 7, 2000, Judicial Journal (2000), 366.

<sup>468</sup> The Lebanese Court of Cassation, case No. 7, dated February 7, 2002 (Gezairi Case); Beirut First Instance Court, decision No. 1080, dated October 28, 1998 (Sodeco Case); Beirut Court of Appeal, case No. 916, dated June 13, 1968; and case No. 571, dated May 8, 1971; and case No. 124, dated June 16, 1987. Available in Arabic at: <http://www.legallaw.ul.edu.lb>

<sup>469</sup> The Moroccan Court of Cassation, case No. 142, dated February 7, 2007, commercial file No. 1430 of January 3, 2006, as cited in *Trademark Guide*, OMPIC, 66.

<sup>470</sup> Casablanca Commercial Court, case No. 3420, dated March 24, 2008, commercial file No. 9993/61/2007, published in Commercial Court Gazette, II, September 2011, Association for the dissemination of legal and judicial information, 37.

<sup>471</sup> Tangier Commercial Court, case No. 58, dated January 24, 2008, commercial file No. 1596/33/2006.

<sup>472</sup> Cassation No. 752 of Judicial Year 7 dated 13/12/2013. *A collection of judgments by Abu Dhabi Court of Cassation in 2013*, pp.2479–2484



In other confusion cases, it has been decided that what counts is the general image that is imprinted in the mind of the consumer, and differences between the two trademarks must be clear leaving no confusion or ambiguity.<sup>473</sup>

### 3.2 *Discrediting and Denigrating Allegations*

This category includes actions against a competitor's products or services by attacking their quality, the high price, or the danger that may result from their use. Denigrating a product as not being compliant with the advertised specifications is unfair even if the competing product is not explicitly mentioned. A hint is enough even indirectly, specifically if it is easy for the public to know which product is the target of the denigration.<sup>474</sup> Harming the competitor's reputation by claiming the rival is on the verge of bankruptcy or a drug addict, or spreading false information intended to degrade the value of the goods as being of poor quality, or claiming that the goods are fake, or unfit for consumption or harmful to the health of consumers, constitute all unfair acts.<sup>475</sup> False allegations and disparagement are punishable as unfair competition in the UAE.<sup>476</sup>

The Supreme Federal Court of the United Arab Emirates decided in a judgment issued in 1994<sup>477</sup> that if anyone imitates, forges, or uses a trademark and applies it to similar products or services, it shall be deemed an assault on the right of the owner of the trademark that causes damage to it due to weakening the trust in its merchandises or services that are distinguished with the trademark.<sup>478</sup>

### 3.3 *Misleading Indications or Allegations*

In some Arab countries such as the UAE, there is a legal presumption that the acts of comparative advertising are permissible since there is no specific law regulating it, with certain limitations as to unfair trade practices.<sup>479</sup> Also, there may be some other factors that might influence the presence of comparative advertising in the region. In Saudi Arabia and Kuwait, for example, comparative advertising is prohibited because it is not in line with the provisions of the Shari'a.<sup>480</sup> In Morocco, the court condemned a misleading advertising that has created doubt as to the origin of the product, and has damaged the commercial reputation of its owner.<sup>481</sup>

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<sup>473</sup> Dubai First Instance Civil Court, case No. 123, dated May 30, 1990 (LifeBuoy Case); and Dubai First Instance Civil Court, case No. 683, dated October 22, 1990 (Lipton Case); and Dubai First Instance Civil Court, case No. 1157, dated October 18, 1990 (Sunsilk Case), as cited in Nacheff, *The Legal Regime of Advertising and Trademarks in Lebanon, Arab Countries, and France*, 532-537.

<sup>474</sup> Beirut Judge of Expedited Matters, 1998, as cited in Nacheff, *The Legal Regime of Advertising and Trademarks in Lebanon, Arab Countries, and France*, 220.

<sup>475</sup> Mohamad Ali Helalat and Murad Ali Al-Tarawneh, "Cases of Unfair Competition under the Unfair Competition and Trade Secrets Law and the Jordanian Judiciary", *International Journal of Business and Social Science* Vol. 6, No. 11, (November 2015), 64.

<sup>476</sup> UAE Commercial Transactions Code promulgated by Federal Law No. 18 of 1993, Part Two, Chapter One: Business Premises, Trade Name and Unfair Competition, Articles 66.

<sup>477</sup> UAE Court of Cassation, case No. 60, dated July 4, 1994, Collection of judgments passed by the Federal Supreme Court in 1994, 590, cited in Madi and Almistarehi, *The Unfair Competition Lawsuit for Protecting the Unregistered Trademark*, 52.

<sup>478</sup> The trademark owner is entitled to bring an unfair competition lawsuit to the court based on Article 282 of the Civil Transactions Law and the provisions of Article 66 of Commercial Transactions Law.

<sup>479</sup> While the provisions of the UAE Trade Marks Federal Law of 1992, No. 37 prohibits the unlawful use of a registered trademark, yet, there is no specific stipulation as to the fair use of competitor's name or trademark.

<sup>480</sup> In the teachings of the Shari'a (the body of Islamic religious law), people are encouraged not to compete at the cost of harming others and, accordingly, comparative advertising is perceived in Saudi Arabia and Kuwait as being an insulting instance of confrontation and bragging.

<sup>481</sup> Creating suspicion among the public about the source and owner of the product. Casablanca Commercial Court, case No. 768, dated January 25, 2010, commercial file No. 3867/16/2009.

A misleading action can relate to various elements found in different Arab countries laws:

- any false allegations in the conduct of trade;
- any statement or allegation which use in the conduct of trade would mislead the public as to the nature of the goods, the method of manufacture, their features, usability, or their quantity;<sup>482</sup>
- any direct or indirect use of an incorrect or misleading statement about the origin or source of the goods or about the identity of the producer or manufacturer who supplied them;
- any direct or indirect use of the incorrect or misleading original denomination, or imitation of the original denomination, even if the real origin of the goods is mentioned, or the denomination is used translated or accompanied by words such as type, model, imitation, or the like;
- knowingly using a forged or imitated trademark, or changing a trademark in any way;<sup>483</sup>
- declaring falsely a status or degree or award, or any other misleading means with the intent to usurp the customers of a competitor trader; or else;<sup>484</sup>
- any practice misleading the public on declaring the product price or the method of counting thereof;<sup>485</sup>
- any act that would create an incorrect or misleading impression to the consumer or lead to the consumer falling into confusion or mistake.<sup>486</sup>

In the first court decision addressing trademarks in the United Arab Emirates,<sup>487</sup> the roots of trademark protection as a species of unfair competition law have been recognized. The plaintiff was an agent for a Dutch company producing well-known canned milk under the trademark "Rainbow". The defendant company imported for sale an inferior product called "Rainshow". The Civil Court of Abu Dhabi decided that trademark infringement was a form of unfair competition. It was important for the state to protect its citizens from false, and possibly dangerous, consumer goods. The yardstick was the similarity of the names used. Recognizing not only harm flowing from unfair free-riding but also the need to protect consumers against misleading acts, the Court decided that:

If a manufacturer or a trader comes along and takes advantage of the trouble and expense which others have incurred so as to gain an advantage for himself and proceeds, in the hope of obtaining advantage and profit, to imitate or simulate a well-known trademark or brand, he not only violates the legitimate rights of the individual, but wilfully deceives consumers [...] The duty of this Court is not only to protect the rights of the parties who stand before it expecting justice at its hands, but also to protect the rights of the citizen on whose money the manufacturers and traders live. The citizen is entitled to buy what he fancies for the money he pays.

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<sup>482</sup> Article 184 of the Moroccan Law No. 17-97 of 2000, and Article 116 of the Syrian Law No. 8 of 2007 abovementioned.

<sup>483</sup> UAE Ministerial Decision No. 26 of 1984 Concerning the Executive Regulations of Law No. 4 of 1979 on Combating Fraud and Deception in Commercial Transactions (as amended up to Ministerial Decision No. 26 of 2003), Chapter 1: *Trade Data and Unfair Competition*, Article 5. Available at: <https://wipo.int/legislation/details/19818>

<sup>484</sup> UAE Commercial Transactions Code promulgated by Federal Law No. 18 of 1993, Part Two, Chapter One: *Business Premises, Trade Name and Unfair Competition*, Articles 65.

<sup>485</sup> Such as the information about food products (natural products, bio, fat-free or low-fat), or information contained on cigarette packs on nicotine and tar ratios. Jordanian Law No. 15 of 2000 on Unfair Competition and Trade Secrets, Article 2. Available at: <https://wipo.int/legislation/text/128321>

<sup>486</sup> Egyptian Consumer Protection Law enacted by law No. 67 of 2006, Article 6. Available at: <https://www.wipo.int/edocs/lexdocs/laws/en/eg/eg012en.pdf>

<sup>487</sup> *Thani ben Murshid & Co. & The African Co. v. Refrigerator Al-Nawis Co.* (1973) (Civil Court of Abu Dhabi), *aff'd*, (1973) (Court of Appeal), I.I.C. 883 (1981), cited in Ian Edge, *Comparative Commercial Law of Egypt and the Arabian Gulf*, 34 *Clev. St. L. Rev.* 129 (1985-1986), 142.

#### 4. Additional Acts of Unfair Competition

Beyond the three cases mentioned in Art. 10bis(3) PC, other acts could be regarded as unfair competition, namely slavish imitation (4.1), unfair free-riding (4.2), and the violation of trade secrets (4.3). In the area of new technologies and related marketing tools, no Arab country has adopted specific rules.

##### 4.1 *Slavish Imitation*

Protection against slavish imitation or slavish copying of products or services is not mentioned *per se* in the Arab countries' laws. It is possible that the courts, by their discretionary power in terms of unfair competition, could condemn a slavish imitation even if the conditions of protection by IP rights are not met. This is what is expressly said in Article 97 of the Lebanese Commercial and Industrial Property Law No. 2385 of 1924: "Any violation of this law in which one of the requirements for the application of the sanctions provided for in Section 6 below is missing".<sup>488</sup>

##### 4.2 *Unfair Free-riding*

No Arab trademark law provides for any explicit protection against blurring, tarnishment, or unfair free-riding. Nonetheless, trademark proprietors may enjoy civil protection under the unfair competition rules.<sup>489</sup>

In some Arab countries, there is a relatively new application of the theory of unfair competition known as "parasitism". The Lebanese courts for instance defined parasitic behaviour as an act where a person takes advantage of economic values achieved by a specific project that has acquired a certain notoriety and a competitive advantage over those of others. The parasite is the one who is shadowed by the others, benefiting from their efforts, reputation, and fame.<sup>490</sup> One of the most prominent decisions that explicitly established the concept of parasitic competition as unfair competition is the decision of the Court of Appeal of Beirut in *Chandon Paris (lingerie and clothing products) vs. Moët & Chandon (alcohol)* of 1993.<sup>491</sup> It explicitly considered that the difference in the type of the commodity did not prevent a finding of unfair competition when the counterfeited trademark is of international renown. The appellant took advantage of the famous trademark without making any effort of its own, which constituted an act of unfair parasitic competition. According to the Court, the appellant contradicted the principles of honour and sound trade and caused material and moral harm by removing the unique image of the brand from the minds of customers and making it a popular brand that covers many commodities traded in the market. The Court added that the criteria for a finding of unfair competition had to be considered to be valid even if the appellant's merchandise was different.

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<sup>488</sup> No judicial cases have been reported based on the application of this Article in Lebanon.

<sup>489</sup> See Beirut Court of Appeal, Civil 1<sup>st</sup> Circuit, case No. 571, dated May 8, 1971, Rani Sader, *The Reference on IP Cases*, Sader, Lebanon, 2006, 275; Egypt Court of Cassation, Case No. 436, judicial year 22, June 14, 1956; Egypt Court of Cassation, Case No. 877, judicial year 36, May 23, 1966, cited in Samiha Al Kalioubi, *Industrial Property*, 6<sup>th</sup> ed., Dar Al Nahda El Arabia, Egypt, 2007, 580.

<sup>490</sup> Mount Lebanon First Instance Court, case No. 23, dated October 30, 2000, Available in Arabic at: <http://www.legallaw.ul.edu.lb>

<sup>491</sup> Beirut Court of Appeal, case No. 264, dated May 3, 1993, Sader, *The Reference on IP Cases*, 127.

### 4.3 Protection of Trade Secrets

Only few Arab countries have specific laws dealing with trade secrets.<sup>492</sup> The legal protection of trade secrets is based on specific provisions or case law on the protection of confidential information.<sup>493</sup>

In Jordan, the Unfair Competition and Trade Secret Law prohibits the breach of confidentiality duty in several forms.<sup>494</sup> According to Section 6 of the Law, the misuse of trade secret information can be considered as a breach of honest commercial practices. This includes the breach of contractual obligations relating to confidential information and trade secrets that are shared under the agreement, in contradiction to honest commercial practice. The Law gives the trade secret owner the right to claim for compensation regarding any damages resulting from misuse of the trade secrets, as well as claiming to discontinue the abuse and seize the materials that contain the misused trade secret or the products resulting from misuse of the trade secrets.

In Oman, trade secrets are explicitly protected against unfair competition independently of, and in addition to, any legislative provisions protecting IP rights. Article 60 of the Intellectual Property Law of Oman – the Omani Royal Decree No. 67 of 2008 – provides that the acquisition of undisclosed information by third parties who knew, or were grossly negligent in failing to know, that practices such as breach of contract, breach of confidence and inducement to breach, and includes the acquisition of undisclosed information by third parties, constitutes an unfair competition act.<sup>495</sup>

## I. CHINA\*

### 1. Legislative Framework

In China, the basic legislation for protection against unfair competition is the specific “Anti-Unfair Competition Law” (“AUCL”), which was enacted in 1993 and revised respectively in 2017 and 2019. The revision in 2017 is rather substantial and robust<sup>496</sup> which, among others, adjusts the provisions on causing confusion and introduces a specific clause (Article 12) to regulate unfair competition occurring particularly on internet marketplaces. The revision in 2019 aimed mainly at strengthening the protection of trade secrets by stipulating punitive damages and a shift of the burden of proof.

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<sup>492</sup> Bahrain (Trade Secrets Law No. 7 of 2003), Jordan (Unfair Competition and Trade Secrets Law No. 15 of 2000), Qatar (Trade Secrets Law No. 5 of 2005), Saudi Arabia (Ministerial Decree No. 50 of 2005), UAE (DIFC LAW No. 4 of 2019), Yemen (Patents, Utility Models, Integrated Circuit Layouts and Undisclosed Information Act No. 2 of 2011). Available at: <https://wipolex.wipo.int>

<sup>493</sup> For example, Morocco (Labor Law No. 35 of 2003), Oman (IP Law No. 67 of 2008), Syria (Labor Law No. 17 of 2004), UAE (Civil Transactions Law No. 5 of 1985 and Commercial Companies Law No. 2 of 2015).

<sup>494</sup> Jordanian Law No. 15 of 2000 on Unfair Competition and Trade Secrets, Available at: <https://wipolex.wipo.int/en/text/128321>

<sup>495</sup> The Omani Royal Decree No. 67 of 2008 promulgating the Law on Industrial Property Rights, Article 60, 2 (B).

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<sup>496</sup> The 2017 revisions involved all 33 provisions of the 1993 Unfair Competition Law. However, some scholars still believe that the 2017 revision of the Unfair Competition Law is far from keeping pace with the trade practices and market circumstance of China. Lizhi Ning, “Gains and Losses in Revision of the Anti-Unfair Competition Law”(in Chinese), *Studies in Law and Business* 2018, 104 (118).

In China's legal system, the legal norms concerning unfair competition also include the following: the rules of State Administration for Market Regulation ("SAMR")<sup>497</sup>, the provincial and municipal legislations, such as the Shanghai Regulation against Unfair Competition,<sup>498</sup> and the judicial interpretation of the Supreme People's Court ("SPC").<sup>499</sup> It is worth noting that the aforementioned regulations, rules or judicial interpretations shall not be in conflict with the AUCL according to the legislative hierarchy stated in China's Legislation Law.<sup>500</sup>

As for the rationale behind the AUCL, it is devised not only to safeguard fair and undistorted competition on the market, but also to protect the legitimate interests of competitors. Notably, consumers were added as beneficial stakeholders in the 2017 revision.<sup>501</sup> On the whole, the AUCL plays a vital role in safeguarding a fair market environment while also acting as a supplement to specific laws that protect intellectual property rights in China.<sup>502</sup> When parties exposed to infringing acts cannot obtain protection through specific intellectual property legislation, they may seek remedy by invoking the provisions of the AUCL.<sup>503</sup>

## 2. Honest Practices in Industrial or Commercial Matters

China's 1993 AUCL stipulated that business operators shall adhere to the principles of free will, equality, fairness, and good faith, as well as the generally accepted business ethics in market transactions.<sup>504</sup> However, it was unclear whether these principles can be directly applied in judicial practice. In 2010, the SPC shed some light on this point by allowing the independent application of the "general clause" in Article 2 AUCL<sup>505</sup> under the following three conditions: first, the AUCL does not set forth specific provisions for the particular type of unfair competition at issue; second, the legitimate interests of other operators are actually damaged due to such competition; third, this kind of competitive behaviour is indeed illegitimate because

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<sup>497</sup> The SAMR issued a draft revision of Trade Secrets Regulation in 2020, which indicates that this regulation for the protection of trade secrets will be revised in the near future. Available at <http://www.moj.gov.cn/news/content/2020-09/04/zlk3255343.html>.

<sup>498</sup> As of March 2021, there are at least 12 provincial-level legislations that specifically regulate unfair competition.

<sup>499</sup> There are mainly two judicial interpretations on unfair competition adopted by SPC. First, the *Interpretation of the Supreme People's Court on Some Issues Concerning the Application of Law in the Trial of Civil Cases Involving Unfair Competition* (Unfair Competition Interpretation, 2007); second, the *Interpretation of Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Civil Cases Involving Trade Secret Infringement* (Trade Secret Interpretation, 2020). Recently, the SPC publicizes a revised draft of the Unfair Competition Interpretation (Unfair Competition Interpretation Draft, 2021) to solicit public opinions on August 19, 2021.

<sup>500</sup> Article 88 of Legislation Law of the China provides "The effect of laws is higher than that of administrative regulations, local regulations, and rules. The effect of administrative regulations is higher than that of local regulations, and rules".

<sup>501</sup> Article 2(2) of AUCL (2017 and 2019) provides "For the purposes of this Law, act of unfair competition means that in its production or distribution activities, a business disrupts the order of market competition and causes damage to the lawful interests of the other businesses or consumers, in violation of this Law."

<sup>502</sup> See Handong Wu, "Intellectual Property Issues Concerned with Unfair Competition" (in Chinese), *Modern Law Science* 2013, 35(37-43).

<sup>503</sup> Article 11 of No. 23 Notice of the SPC in 2009 stipulates "Where the specific intellectual property laws have exhaustive provisions, the AUCL will no longer be applied to extend the protection. Where the AUCL has provided for exhaustive protection in special provisions, generally no longer expands its scope of protection in accordance with the principles and regulations; for competition activities that are not specifically provided for, it can only be determined in accordance with recognized commercial customs and common sense that the principles of AUCL are violated can it be determined that it constitutes an act of unfair competition. So as to prevent the impediment of free and fair competition by improperly expanding the scope of unfair competition".

<sup>504</sup> Article 2 of AUCL(1993).

<sup>505</sup> Article 2 of AUCL (2017 and 2019) provides "Businesses shall, in their production and operational activities, adhere to the free will, equality, fairness, and good faith principles, and abide by laws and business ethics. For the purposes of this Law, 'act of unfair competition' means that in its production or distribution activities, a business disrupts the order of market competition and causes damage to the lawful interests of the other businesses or consumers, in violation of this Law. For the purposes of this Law, 'business' means a natural person, a legal person, or a non-legal person organization that engages in the production or distribution of commodities or the provision of services (commodities and services are hereinafter collectively referred to as 'commodities')."

it violates the principle of honest practices in industrial or commercial matters.<sup>506</sup> Since this decision, there have been a large number of cases in which the “general clause” is applied, especially in cases where internet market competition is involved.<sup>507</sup> Notably, the 2017 revision does not require the “business ethics” to be “generally accepted”. The revised Article 2 states: “business shall, in their production and operational activities, adhere to the principle of free will, equality, fairness, and good faith, and abide by laws and business ethics.” This is considered to be a general clause and the application of “honest practices in industrial or commercial matters”.<sup>508</sup> The latest Unfair Competition Interpretation Draft, issued by the SPC, defines “business ethics” as a code of conduct generally recognized and followed in a specific business field.<sup>509</sup>

With the swift development of the Internet business in which various questionable competitive behaviours occur, China's courts had several opportunities to interpret the specific connotation of “business ethics”. In the high-profile case *360 v. Tencent*,<sup>510</sup> the SPC held that the key to determine whether 360's conduct constituted unfair competition lies in whether the allegedly infringing conducts violate the principle of good faith and the “generally-accepted” business ethics in the internet industry and harms Tencent's legitimate interests. The SPC decided for Tencent on the ground that 360 had destroyed the security and integrity of Tencent's software and its services, and reduced Tencent's economic benefits and value-added service transaction opportunities, and thus interfered with Tencent's business activities against the principle of good faith and generally-accepted business ethics. In that case, the SPC also affirmed that the “self-discipline Protocol” of the internet industry may serve as the factual basis for determining the industry's usual standards of conduct and generally-accepted business ethics. In *Baidu v. 360*,<sup>511</sup> the Beijing High People's Court proposed the “principle of no interference” unless it is necessary to protect the public interest, holding that internet service operators may only interfere with the operation of other operators' Internet products or services without the knowledge and consent of internet users and other Internet service providers under the circumstance that public interest so requires. The necessity and rationality of the interference should be ensured and justified.

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<sup>506</sup> Shandong Foodstuffs Import and Export Corporation, Shandong San Fu Group Co., Ltd., Shandong San Fu Ri Shui Co., Ltd. v. Ma Daqing, Qingdao Sheng Ke Da Cheng Trading Co., Ltd. The case number is SPC (2009) Min-Shen-Zi No. 1065.

<sup>507</sup> As of August 10, 2021, 8255 cases can be found involving the application Article 2, as the source from [www.pkulaw.com](http://www.pkulaw.com).

<sup>508</sup> See the overview provided by Jun Wu, “*The Judicial Application Mode of the General Clauses of the AUCL*”(in Chinese), *Chinese Journal of Law*2016, 38(02).

<sup>509</sup> Article 3 of the latest Unfair Competition Interpretation Draft stipulates “In determining whether an operator violates business ethics in a specific case, the court shall comprehensively consider the industry rules or business practices, the operator's subjective status, the counterpart's willingness to choose, the impact on the market competition order and the consumer's right to know and the right to choose, etc”.

<sup>510</sup> “360” refers to Beijing Qihoo Technology Co., Ltd. and Qizhi Software (Beijing) Co., Ltd. In this case, the 360 successively released two softwares, 360 privacy protectors and 360 deduction bodyguards, directing at Tencent's QQ, a blockbuster game. The 360 claimed that its above softwares can protect the privacy and security of QQ users. Subsequently, Tencent announced that it would not allow users to run QQ game and the 360's above softwares at the same time. That means users can only choose one of the two companies' products. Then the two companies initiated multiple lawsuits against each other, and the case number of the unfair competition case is the SPC (2013) Min-San-Zhong-Zi No.5.

<sup>511</sup> The case number is Beijing High People's Court (2013) Gao Min Zhong Zi No. 2352 . In 2012, Qihoo's 360 Security Guard selectively inserted a white exclamation mark icon with a red background on the search results page of Baidu.com ([www.baidu.com](http://www.baidu.com)) as a warning sign to warn users that the website corresponding to the search result is at risk. Qihoo Company gradually guides users to click to install the 360 security browser by inserting labels, and promotes its browser products through Baidu search engine services. In addition, Qihoo has embedded the Baidu search box on its website navigation website ([hao.360.cn](http://hao.360.cn)), changing the drop-down prompts provided to users by Baidu.com on its search box and guiding users to visit Qihoo's website.

More recently, Chinese courts have handled many unfair competition cases involving big data<sup>512</sup> by referring to the “business ethics” in Article 2 AUCL when the questionable acts at issue were not specifically prohibited by the law.<sup>513</sup> On the whole, China’s courts have mainly taken an empirical approach to assess the perception of honesty in a particular business sector when they interpret the principle of “business ethics” or “honest practices”. However, the recent Unfair Competition Interpretation Draft adopts a stricter stance, and disallows the general clause to be applied to the behaviors clearly enumerated by the AUCL and the behaviors that only harm the interests of a competitor but not the market order.<sup>514</sup>

As to the the definition of “competition”, China's practice has changed from a concept of the strict horizontal competition to the recognition of broader, indirect competition. The Guiding Case No. 30, published by the SPC in 2014, states that it should be regarded as an act of unfair competition when one party violates the provisions of the AUCL and harms the legitimate interests of other competitors, even if competitors were only in indirect competition.<sup>515</sup> The 2017 revision deleted the requirement of “competition relationship”, and thus the concept of “competition” is more flexible in unfair competition cases, especially when big data is involved.<sup>516</sup> The latest Unfair Competition Interpretation Draft takes a broader approach, defining the competitive relationship as the possibility of competing for trading opportunities and damaging competitive advantage.<sup>517</sup>

### 3. Implementation of Specifically Prohibited Acts

The AUCL offers several avenues for obtaining protection against confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3).

#### 3.1 Causing Confusion

Article 5 AUCL (1993) stipulated several unfair competitive acts that may cause confusion: (1) using the registered trademarks of others without permission (2) using the unique name, packaging, or decoration of a well-known commodity without permission, or using any name, packaging, or decoration similar to that of a well-known commodity, causing confusion with another's commodity so that purchasers would mistake its commodity for the well-known commodity (3) using the name of another enterprise or individual without permission so that people may mistake its commodity for another's commodity. However, these provisions are considered to have some problems, such as overlapping provisions with trademark law, logical problems, and the incomplete listing of the types of confusing behaviours.<sup>518</sup> In 2017, Article 5 was substantially revised to include, inter alia, the following: first, a definition of the concept “confusing behaviours” in Article 6 and four categories of confusing acts; second, provisions that overlap with trademark law have been deleted; third, the spectrum of protected business signs has been broadened to cover the name, layout of websites and their main composition

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<sup>512</sup> At the end of 2016, the Beijing Intellectual Property Court concluded the *Sina Weibo V. Maimai* which is known as the first big data unfair competition case. Since then, courts in Beijing, Shanghai, Hangzhou and other regions have dealt with a large number of cases involving unfair competition in big data.

<sup>513</sup> See the overview provided by Ge Jiang, “*Commercial Customs Factors in the Evaluation of the Unfair Competition*” (in Chinese), *Law Review* 2019,37 (02).

<sup>514</sup> Article 1, Unfair Competition Interpretation Draft.

<sup>515</sup> Lan Jianjun, Hangzhou Little Thumb Auto Maintenance Technology Co., Ltd. v. Tianjin Little Thumb Auto Maintenance Service Co., Ltd., etc. for trademark infringement and unfair competition disputes. Tianjin High People's Court (2012) Min-San-Zhong-Zi No. 46.

<sup>516</sup> See Chun Zhong, “*Judgement Rules of Unfair Competition Cases Concerning Data*” (in Chinese), *People's Judicature* 2019, 10(16-21).

<sup>517</sup> Article 1, Unfair Competition Interpretation Draft.

<sup>518</sup> Cf. Lizhi Ning, “Gains and Losses in Revision of the Anti-Unfair Competition Law”(in Chinese), *Studies in Law and Business* 2018, 104 (118).

parts, and any other signs that are sufficient to cause confusion.<sup>519</sup> Notably, the protected signs under the new Article 6 AUCL should have a “certain influence” which denotes the reputation and scope of public recognition of the signs, whether registered or unregistered. The latest Unfair Competition Interpretation Draft seems to follow the logic of the Trademark Law and clarifies that the protectable signs should have distinctive features that distinguish the source of goods.<sup>520</sup> The Draft also clarifies several situations that do not constitute unfair competition, such as the use of similar signs which are to objectively describe their own goods<sup>521</sup> or the use of similar signs in different regions in “good faith”<sup>522</sup>.

With regard to the concept of confusion, it is established that the “confusion” in the AUCL includes both actual confusion and a likelihood of confusion. It is sufficient when allegedly unfair conduct is likely to cause the misconception that there is a specific connection between the products of different business operators.<sup>523</sup> Such interpretation of “confusion” under the revised AUCL is similar to that in trademark law.

In practice, there are many cases involving the conflict between business names and trademark rights, and China tends to resolve this issue under the AUCL.<sup>524</sup> According to Article 58 of the Trademark Law (2019), where any entity uses a registered trademark or an unregistered well-known trademark of others as a trade name in its business name to mislead the public, and if any unfair competition is constituted, it shall be handled in accordance with the AUCL. In addition, *Administrative Provisions on the Registration of Business Names* (“APRBN”, as revised in 2020) also stipulates that where a business name is used to carry out unfair competition or other acts, it shall be dealt with in accordance with the relevant laws and administrative regulations.<sup>525</sup> However, Article 6(2) AUCL only deals with the unauthorized use of the name of another business. Therefore, in practice, it is unsettled which law should be applied to deal with trademark infringement by trade names. The latest Unfair Competition Interpretation Draft stipulates in this respect that Article 6(4) AUCL can be employed to resolve such conflict.<sup>526</sup>

### 3.2 *Discrediting and Denigrating Allegations*

Article 11 AUCL states that “business operators shall not fabricate or disseminate false information or misleading information to harm the business goodwill, product reputation of their competitors.” In line with the decision in *360 v. Tencent*, Article 11 clarifies that a competitor’s business reputation or product reputation may be damaged even though the spreaded

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<sup>519</sup> Article 6 of AUCL (2017 &2019) provides “A business shall not commit the following acts of confusion to mislead a person into believing that a commodity is one of another person or has a particular connection with another person:

(1) Using without permission a label identical or similar to the name, packaging or decoration, among others, of another person’s commodity with certain influence. (2) Using without permission another person’s name with certain influence, such as the name (including abbreviations and trade names) of an enterprise, the name (including abbreviations) of a social organization, or the name (including pseudonyms, stage names and name translations) of an individual. (3) Using without permission the principal part of a domain name, the name of a website, or a web page with certain influence, among others, of another person.(4) Other acts of confusion sufficient to mislead a person into believing that a commodity is one of another person or has a particular connection with another person”.

<sup>520</sup> Article 5 of Unfair Competition Interpretation Draft.

<sup>521</sup> Article 7 of Unfair Competition Interpretation Draft.

<sup>522</sup> According to the Article 15 of Unfair Competition Interpretation Draft, the use of the same or similar signs with certain influence in different geographical areas does not constitute unfair competition if the later users can prove their good faith,

<sup>523</sup> *Ping An Insurance (Group) Co., Ltd. of China v. YM Gold Olives Harmony International Hotel*. See Guangdong High People’s Court (2019) Yue-Min-Zhong No. 1853.

<sup>524</sup> See the overview provided by former judge Zhipu Su, “*Rules for the determination of infringement when the company name and registered trademark of others are both similar*”(in Chinese), *People’s Judicature* 2016,(26),96-100.

<sup>525</sup> Article 22 of APRBN.

<sup>526</sup> Article 13 of Unfair Competition Interpretation Draft.



information is true.<sup>527</sup> True but misleading information may be as harmful as the distortion of the true situation. The central question is whether the discrediting behavior of a business operator is sufficient to cause relevant consumers to degrade the reputation of the business or products of its competitors.<sup>528</sup>

Further cases clarify the normative elements of discrediting and denigrating allegations or so-called “commercial defamation” in China. In *Ningbo Zhong Yuan Information Technology Co., Ltd. v. Ningbo Zhong Sheng Information Technology Co., Ltd.*, the court found that the defendant had discredited the plaintiff unfairly, even though the false information was only sent to one person in a one-to-one manner.<sup>529</sup> In *Huanghua Heng Tai Aquaculture Co., Ltd. v. Weifang An Jing Aquatic Products Development CO., Ltd.*, the court held that a business operator must have a legitimate purpose to comment on competitors, and the comment must be objective, truthful, fair and neutral, and must not mislead the public or damage the goodwill of others, and take due diligence.<sup>530</sup> When sending a lawyer’s letter or infringement warning letter, the operator cannot go beyond the limits of the exercise of rights and detract from the goodwill of competitors.<sup>531</sup> However, it has been controversial whether a direct and specific competition between the plaintiff and the defendant is necessary to establish a commercial defamation. The AUCL seems to take an affirmative approach since Article 11 AUCL uses the term “competitive opponents.” However, several judicial cases negated the requirement of a specific competitive relationship and held that a certain type of unspecified competitive relation may be sufficient to establish unfair competition.<sup>532</sup> Further, the damage can be that actually occurred, but also that likely to occur.<sup>533</sup>

In addition, it is obviously harmful to deliberately disseminate, instead of directly fabricating, false or misleading information on the Internet. The latest Unfair Competition Interpretation Draft stipulates that operators who deliberately spread false or misleading information fabricated by others to damage a competitors’ business reputation and product reputation will constitute unfair competition.<sup>534</sup>

### 3.3 *Misleading Indications or Allegations*

According to Article 8(1) AUCL, “business operators are not allowed to make false or misleading commercial publicity on the performance, function, quality, sales status, user evaluation, obtained honors, etc. of their products.” In order to regulate the salient problem of false user reviews which had been prevalent in the online market, Article 8(2) AUCL specifically prohibits business operators from helping others to make any false or misleading commercial publicity by fabricating false transactions or any other means.

<sup>527</sup> Beijing Qihoo Technology Co., Ltd. and Qizhi Software (Beijing) Co., Ltd v. Tencent, SPC (2013) Min-San-Zhong-Zi No.5. In this case, the 360 CO.’s software analyzed the Tencent’s software installed by the user, and warned the user that Tencent’s software had serious security vulnerabilities in red fonts, and pushed users to install and upgrad the 360 CO.’s software to deal with the security risk.

<sup>528</sup> Shaanxi Bai Shui Du Kang Wine Industry Co., Ltd. V. Luoyang Du Kang Holding Co., Ltd. SPC (2017) Min-shen No. 4643.

<sup>529</sup> The case number is SPC (2015) Min-Shen No. 3340.

<sup>530</sup> The case number is Guangdong High People’s Court (2018) Yue-Min-zhong No. 613.

<sup>531</sup> The Shanghai High People’s Court held that when the mail is sent to the seller, user or potential user of the product, these recipients have weak ability to judge whether the product is infringing. Based on a strong awareness of risk avoidance, these recipients may easily be affected and refused to trade. Therefore, the sender should exercise due care, and objectively and fully disclose the necessary information to recipient to prevent misleading. *Wuxi Hisky Medical Technology Co., Ltd. v. Shanghai Echo Medical Device Technology Co., Ltd.* The case number is Shanghai High Court (2016) Hu-Min-Zhong No. 274.

<sup>532</sup> Foshan Wei Te Highway Maintenance Equipment Co., Ltd. v. Nanjing Ying Da Highway Maintenance Vehicle Manufacturing Co., Ltd. The case number is Jiangsu Provincial High People’s Court (2011) Su-Zhi-Min-Zhong No. 0112.

<sup>533</sup> *Id.*

<sup>534</sup> Article 21 of Unfair Competition Interpretation Draft.

The latest Unfair Competition Interpretation Draft categorizes the “Misleading Commercial Promotion” into the following four categories: first, one-sided promotion or comparison of goods; second, using scientifically unconfirmed viewpoints, phenomena, etc. as conclusive facts for commodity promotion; third, using ambiguous language for commercial promotion; fourth, other commercial promotion behaviors that are misleading.<sup>535</sup>

Notably, China’s administrative organizations play an important role in preventing misleading indications or allegations in practice.<sup>536</sup> The number of civil cases about misleading allegations is relatively small.<sup>537</sup>

#### 4. Additional Acts of Unfair Competition

In addition to the above-described protection against unfair harm flowing from confusing, discrediting, denigrating and misleading practices, China also offers protection for trade dress (4.1) and protection against other acts of misappropriation (4.2). Furthermore, the 2019 AUCL revision and the 2020 judicial interpretation set forth detailed rules to enhance the protection of trade secrets (4.3). Moreover, a “specific Internet article” has been added to regulate unfair competitive behaviour particularly occurring in the online market. (4.4). According to the 2020 inspection report issued by the Standing Committee of the National People’s Congress of China (“NPCSC”), the acts of unfair competition in China mainly consist of the followings: counterfeiting and confusion (41.3%), false propaganda (18.8%), and trade secret infringement (17.7%).<sup>538</sup>

##### 4.1 Protection of Trade Dress

Although China’s AUCL does not explicitly address slavish imitation, Article 6(1) AUCL offers protection by referring to business identifiers of a “certain influence.” The AUCL extends the scope of protected signs to cover websites, the layout of web pages and other signs of certain influence.

In the *M&G Pen case*,<sup>539</sup> the SPC held that if the appearance of a product had obtained a design patent and the product became well-known, the use of the design by others after the termination of the design patent would constitute unfair competition if such use was sufficient to cause the relevant public to confuse the source of the product. The SPC also summarized the four requirements for protection in such cases: first, the goods using this design becomes famous; second, the design has the function of distinguishing the source of goods, so it could be used as a distinctive packaging or decoration for famous goods; third, this design is neither a design determined by the nature of the product itself, nor is it intended to achieve a certain technical effect or necessary to give the product substantial value; forth, the use of the design by others would cause confusion or misunderstanding among the relevant public. Under the current AUCL, the first condition of famous goods has been relaxed. It is sufficient that the sign at issue has a “certain influence.”<sup>540</sup>

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<sup>535</sup> Article 18 of Unfair Competition Interpretation Draft.

<sup>536</sup> As of August 15, 2021, 2882 administrative penalty decisions can be found on <https://law.wkinfo.com.cn/>.

<sup>537</sup> As of August 15, 2021, only 314 civil cases can be inquired on <https://wenshu.court.gov.cn/>, including first and second instance.

<sup>538</sup> Available at <http://www.npc.gov.cn/npc/c30834/202012/817b260b67384bac8682684c56460c63.shtml>.

<sup>539</sup> *Ningbo Wei Ya Da Pen Co., Ltd. V. Shanghai M&G Stationery Inc.* The case number is SPC (2010) Min-Ti No. 16.

<sup>540</sup> For example, in the *Land Rover V Landwind*, the court held that the Range Rover Aurora car shape and decoration were significant and established a stable market connection with Jaguar Land Rover and the Range Rover Auroracar shape and decoration had gained a certain reputation and influence in China. The case number is Beijing Intellectual Property Court (2019) Jing-73-Min-Zhong NO.2033.

The latest Unfair Competition Interpretation Draft provides more detailed rules for the protection of trade dress, including the requirement of distinctiveness and market visibility of packaging and decoration,<sup>541</sup> and circumstances in which the AUCL does not offer protection.<sup>542</sup> Moreover, it also stipulates that the overall business image with a unique style composed of the decoration of the business premises, the style of the business equipment, and the clothing of business staff can constitute a relevant "decoration" in the sense of Article 6(1) AUCL.<sup>543</sup>

#### 4.2 Commercial Bribery and Illegal Practices in Prize-giving Sales

Article 7(1) AUCL offers protection against commercial bribery by including any organizations or persons who may influence the particular transaction by exercising their power or influence.<sup>544</sup> The payment and acceptance of a discount by the transaction parties secretly is no longer presumed to constitute commercial bribery as long as these actions are truthfully recorded on the ledger.<sup>545</sup> Regarding prize-giving sales, the 2017 AUCL revision increased the upper limit of the lottery sales, and clarified forbidden conduct of operators that would hinder consumers from claiming the premium.<sup>546</sup>

It is worth mentioning that some scholars believe that the provisions on commercial bribery in the AUCL may cause an unnecessary overlap in law enforcement, while there are clear provisions on commercial bribery in the Criminal Law. However, not all commercial bribery regulated by AUCL constitutes a crime, and the AUCL focuses on whether such behaviours would distort fair competition.<sup>547</sup>

#### 4.3 Protection of Trade Secrets

In China, the protection of trade secrets has been substantially improved in recent years.<sup>548</sup> According to Article 9(4) AUCL, information must meet three requirements in order to qualify as a trade secret: (1) it must be unknown to the public (secrecy requirement), (2) it must have economic value (value requirement); and (3) it must be the subject of measures taken by the right holder to maintain its secrecy (corresponding measures requirement).<sup>549</sup> After revision in 2017, AUCL now mainly stipulates four types of violations of trade secrets.<sup>550</sup>

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<sup>541</sup> Article 4 of Unfair Competition Interpretation Draft.

<sup>542</sup> Article 8 of Unfair Competition Interpretation Draft stipulates "If the name, packaging, decoration, or its distinctive identifying part of the product is a sign that cannot be used as a trademark as stipulated in the first paragraph of Article 10 of the Trademark Law, the AUCL shall not protect it".

<sup>543</sup> Article 6 of Unfair Competition Interpretation Draft.

<sup>544</sup> Article 7(1) AUCL (2017&2019) provides "A business shall not seek transaction opportunities or competitive edges by bribing the following entities or individuals with property or by any other means: (1) An employee of the other party to a transaction. (2) The entity or individual authorized by the other party to a transaction to handle relevant affairs. (3) An entity or an individual that uses power or influence to affect a transaction".

<sup>545</sup> Article 7(2) AUCL (2017&2019).

<sup>546</sup> Article 10 of AUCL (2017&2019).

<sup>547</sup> Lizhi Ning, "Gains and Losses in Revision of the Anti-Unfair Competition Law"(in Chinese), *Studies in Law and Business* 2018, 104 (123).

<sup>548</sup> See Xiuqin Lin, "Trade Secret Law in China", in: Kung-Chung Liu, Reto Hilty (eds.), *Trade Secret Protection: Asia at a Crossroads*, Kluwer Law International 2021, Chapter 3.

<sup>549</sup> Lin, id., para. 120.

<sup>550</sup> Article 9(1) of AUCL (2017&2019) provides " A business shall not commit the following acts of infringing upon trade secrets: (1) Acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means. (2) Disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the preceding subparagraph. (3) Disclosing, using, or allowing another person to use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential. (4) Abetting a person, or tempting, or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. " Further, according to Article 9(2) of AUCL, where a third party knows or should have known that an employee or a former employee of the right holder of a trade secret or any other entity or individual has committed one of the prohibited acts, but still acquires, discloses, uses, or allows another person to use the trade secret, the third party shall be deemed to have infringed the trade secret.

Subsequently, in order to address the difficulty of proof for the right holder, China revised the AUCL in 2019 and introduced a shift of the burden of proof in Article 32. If the right holder provides *prima facie* evidence that it has taken confidentiality measures for the claimed trade secret and reasonably indicates that the trade secret has been infringed upon, the alleged tortfeasor shall prove that the trade secret claimed by the right holder is not a trade secret, as defined in the AUCL. In *Jia Xing Zhong Hua Chemical Co., Ltd., etc., V. Wang Guojun, etc.*,<sup>551</sup> the SPC held that the defendant's behaviour constituted the spoliation of evidence and dishonest litigation since the defendant refused to submit evidence, such as the sales volume of infringing products, and failed to provide any valid evidence for its own independent research and development. Moreover, according to Article 32(2), if the right holder provides *prima facie* evidence to reasonably indicate that the trade secret has been infringed upon, and provide any of the specific evidence,<sup>552</sup> the alleged tortfeasor shall prove the absence of such infringement.

The 2020 Trade Secret Interpretation by the SPC provides more detailed rules on the protection of trade secrets and may improve judicial practice. First, it is explicitly stated that information on structure, raw materials, styles, algorithms and data etc. can be recognized as new types of trade secrets.<sup>553</sup> Second, the enforcement of trade secret protection has been strengthened.<sup>554</sup> Furthermore, Article 17(3) AUCL imposes punitive damages on malicious infringement of trade secrets.<sup>555</sup>

#### 4.4 Internet Clause

As one of the biggest e-commerce economies, China has encountered various unfair competition acts involving the Internet. In the aftermath of *360 v. Tencent* and other influential cases, a specific "internet clause"<sup>556</sup> is introduced when the AUCL was revised in 2017. Article 12(2) stipulates three specific unfair competition behaviors and a catch-all rule.<sup>557</sup>

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<sup>551</sup> *Jia Xing Zhong Hua Chemical Co., Ltd., etc., V. Wang Guojun, etc.* The case number is SPC(2020) Zhi-Min-Zhong No. 1667.

<sup>552</sup> Article 32(2) of AUCL(2019) stipulates three conditions as following:

- (1) Evidence that the alleged tortfeasor has a channel or an opportunity to access the trade secret and that the information it uses is substantially the same as the trade secret.
- (2) Evidence that the trade secret has been disclosed or used, or is at risk of disclosure or use, by the alleged tortfeasor.
- (3) Evidence that the trade secret is otherwise infringed upon by the alleged tortfeasor.

<sup>553</sup> Article 1 of the Trade Secret Interpretation provides "A people's court may determine the information on structure, raw materials, components, formulas, materials, samples, styles, propagation materials of new plant varieties, processes, methods or their steps, algorithms, data, computer programs and their relevant documents, among others, relating to technology as technical information set forth in paragraph 4, Article 9 of the AUCL. A people's court may determine the information on creativity, management, sale, finance, plans, samples, bidding materials, clients' information and data, among others, relating to business activities as business information set forth in paragraph 4, Article 9 of the AUCL. For the purpose of the preceding paragraph, "clients' information" includes a client's name, address, contact information, and trading practices, intention, content, and other information".

<sup>554</sup> For example, Article 15 of the Trade Secret Interpretation provides "Where the respondent is attempting to obtain, disclose, use or allow any other person to use, or has obtained, disclosed, used or allowed any other person to use the trade secret claimed by a right holder by improper means, the people's court may render a ruling to take preservation measures in accordance with the law, if the failure to take preservation measures will make it difficult to enforce the relevant judgment or cause other damage to any party or cause irreparable damage to the right holder's lawful interests. Where any of the circumstances set forth in the preceding paragraph falls under emergency set forth in Article 100 or Article 101 of the Civil Procedure Law, the people's court shall render a ruling within 48 hours."

<sup>555</sup> Article 17(3) AUCL (2017&2019) provides "If a business infringes upon a trade secret in bad faith with serious circumstances, the amount of compensation may be determined to be more than one time but not more than five times the amount determined by the aforesaid method".

<sup>556</sup> The unfair competition involving the internet can be roughly divided into two categories: one is the extension of traditional unfair competition to the internet field, and the other is unique to the network field that uses technical means to implement unfair competition. The "Internet Clause" mainly focus on the latter.

However, due to the lack of norm abstraction and the rapid development of the Internet, the impact of the Internet Clause is rather limited, and most victims of new types of unfair competition acts have to seek remedy under the “general clause” in Article 2 AUCL.<sup>558</sup> Alternatively, some courts have turned to Article 12(2) and (4) AUCL.<sup>559</sup> The latest Unfair Competition Interpretation Draft specifies five conditions for determining “unfair competitive acts” under Article 12(2) and (4) AUCL, namely (1) a business operator uses network technology to implement; (2) contrary to the wishes of other operators and causes their legally provided network products or services to fail to operate normally; (3) contrary to the principle of good faith and business ethics; (4) disrupts the order of market competition and damages the legitimate interests of consumers; (5) no justifiable reasons.<sup>560</sup> Furthermore, the Draft also provides rules and guidelines for unfair behaviour involving big data that has occurred frequently in recent years. According to the Draft, when operators use data obtained by others from users, they need to obtain the consent of users again, and use data controlled by other operators legally and appropriately without harming fair competition in the market order and the legitimate interests of consumers.<sup>561</sup>

Recently, the SAMR announced the "Prohibition of Online Unfair Competition Acts" (Draft for public comments), which includes a summary and enumeration of new manifestations of unfair competition behaviour on the Internet.<sup>562</sup> For example, it is proposed to regulate new types of unfair competition, such as false transactions, advertisement blocking, forced choice of a certain sales platform,<sup>563</sup> data scraping, data discrimination<sup>564</sup> etc. Although this Draft is mainly devised as a basis for administrative law enforcement, it is likely to impact business operations on the Internet and serve as an important reference for judicial cases.

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<sup>557</sup> Article 12(2) of AUCL(2017&2019) provides “no business may, by technical means to affect users' options, among others, commit the following acts of interfering with or sabotaging the normal operation of online products or services legally provided by another business:

- (1) Inserting a link or forcing a URL redirection in an online product or service legally provided by another business without its consent.
- (2) Misleading, defrauding, or forcing users into altering, shutting down, or uninstalling an online product or service legally provided by another business.
- (3) Causing in bad faith incompatibility with an online product or service legally provided by another business.
- (4) Other acts of interfering with or sabotaging the normal operation of online products or services legally provided by another business”.

<sup>558</sup> Yunyun Diao, “Dilemma and Outlet of Application of the Internet Clause of Anti-unfair Competition Law in Commercial Field”(in Chinese), *Law Science Magazine* 2021, 132-140.

<sup>559</sup> Article 12(2)(4) was applied to two of the ten typical Internet cases published by SPC 2021 on May 31, 2021. In one case, the court raised four factors to determine whether it constitutes unfair competition on the Internet: first, whether there is a competitive relationship between the two parties; second, whether the defendant's behavior hinders or disrupts the normal operation of network products or services legally provided by other operators; third, whether the defendant disrupts the order of market competition and harms the lawful interests of other operators or consumers rights; fourth, whether the defendant violated the principles of voluntariness, equality, fairness, good faith and business ethics.

<sup>560</sup> Article 25 of Unfair Competition Interpretation Draft.

<sup>561</sup> Article 26 of Unfair Competition Interpretation Draft.

<sup>562</sup> Available at [http://www.moj.gov.cn/pub/sfbgw/zlk/202108/t20210817\\_434868.html](http://www.moj.gov.cn/pub/sfbgw/zlk/202108/t20210817_434868.html).

<sup>563</sup> This issue mainly occurs in the field of Internet e-commerce, and it refers to situations where a certain platform exerts its power to force merchants to sell goods on its own platform only, to prevent competition in different platforms.

<sup>564</sup> This situation mainly refers to the platform's price discrimination against different consumers through big data algorithm.

## J. INDIA\*

### 1. Legislative Framework

In keeping with other common law jurisdictions, India lacks a unified legal basis for protection against unfair competition. There is no single legislative reference point, or a discrete tort of unfair competition. There are, however, references to the prevention of unfair conduct found across contract, tort and criminal law in India, as well as in IP legislation.<sup>565</sup> For the purposes of this report, it would cast the net too wide to include this broader field, which ranges as far as antitrust (competition) law, food labelling regulations, telecommunications and consumer protection law. Instead, the focus will be on those legal options which enable traders or other commercial parties to bring unfair competition claims to protect intangible interests, as a supplement to IP law.

'Unfair competition' is mentioned as a distinct concept in specific legislative contexts. One example is the duty on the Coir Board, established to promote ropes, fibres and yarn made out of coconut husk, to facilitate the marketing of such products and prevent 'unfair competition'.<sup>566</sup> Another example is found in the Central Government's power to regulate the prices and pages of newspapers, to ensure a level playing field between publishers and prevent 'unfair competition'.<sup>567</sup> Arguably the most relevant reference is found in relation to geographical indications (GI) protection, where acts which infringe a GI include unauthorised use 'in such manner which constitutes an act of unfair competition including passing off in respect of' the registered GI.<sup>568</sup> The explanations to this provision adopt the language of Article 10bis(2) PC; it applies to 'any act of competition contrary to honest practices in industrial or commercial matters'. At least one court has interpreted this to mean that where there is no directly competitive relationship between the litigants, then passing off is unlikely since any misrepresentation would be unlikely.<sup>569</sup> Where a luxury hotel operated a 'Darjeeling Lounge' and the Tea Board of India – the rights holders for the Darjeeling GI – objected, this was held to be geographically descriptive use referencing the famous hill-station in Eastern India, on a dissimilar product (a lounge service for hotel guests versus high quality tea) and therefore not unfair competition.<sup>570</sup> This is also a clear legislative indication that unfair competition is the genus of which passing off is one species (see section 3.1 below). Furthermore, Indian trade mark legislation expressly reserves the right to bring a claim for passing off in relation to 'unregistered' marks.<sup>571</sup>

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<sup>565</sup> For this broader overview, see R Mittal, 'India' in F Henning-Bodewig (ed), *International Handbook on Unfair Competition Law* (Beck\*Hart\*Nomos, 2013), 285.

<sup>566</sup> S. 10(1)(f) of the Coir Industry Act, 1953, Act No. 45 of 1953.

<sup>567</sup> S. 3(1) of the Newspaper (Price and Page) Act, 1956, Act No. 45 of 1956.; extended by subsequent legislation in 1961.

<sup>568</sup> S. 22(1)(b) of the Geographical Indications of Goods (Registration and Protection) Act, 1999, Act No. 48 of 1999.

<sup>569</sup> *Tea Board India v. ITC Ltd.*, 2011 (5) CHN 1 (Calcutta HC).

<sup>570</sup> *Tea Board India v. ITC Ltd.*, 2011 (5) CHN 1; a subsequent attempt was also unsuccessful: *Tea Board, India vs. ITC Limited*, 04 February 2019, (Calcutta HC).

<sup>571</sup> S. 27(2) of the Trade Marks Act 1999, Act No. 47 of 1999.

## 2. Honest Practices in Industrial or Commercial Matters

As a signatory to the Paris Convention, India is committed to upholding 'honest practices in industrial or commercial matters', as per Article 10*bis* (2) PC.<sup>572</sup> However, the Indian approach aligns with other common law jurisdictions. There is no single legislative source or tort of unfair competition. India instead offers up a menu of statutory options and common law torts to satisfy its international obligations.

The tort of passing off is the most frequently utilised form of unfair competition prevention in India. As the Delhi High Court observed, passing off 'is designed to protect traders against that form of unfair competition which consists in acquiring for oneself, by means of false and misleading devices, the benefit of the reputation already achieved by a rival trader. The defendant seeks to acquire this benefit by passing off his goods as and for the goods of the plaintiff'.<sup>573</sup> Notwithstanding this narrow formulation, in IP litigation one may frequently encounter a general claim for unfair competition, as if it were a recognised independent basis for a claim in Indian law. For instance, where the defendants were selling products with designs similar to the lifestyle and home décor products of the plaintiff, they claimed that the defendants were 'directly engaged in illegal acts of passing-off, unfair competition and dilution'.<sup>574</sup> Or to take a more recent example: 'The suit has been filed seeking [a] permanent injunction restraining, infringement of trade marks, passing off, disparagement, dilution and tarnishment, misappropriation, unfair competition, rendition of accounts, damages, delivery up, etc'.<sup>575</sup>

Since passing off is limited by the misrepresentation requirement, plaintiffs appear to be requesting Indian courts to recognise pure misappropriation or free riding. However the Delhi High Court has categorically rejected the invitation to create a new tort of misappropriation, in a dispute involving time-sensitive information or 'hot news'.<sup>576</sup> The defendants successfully appealed an interim order restraining the dissemination of cricket match information. They provided ball by ball score updates as text messages, as a paid service, without a prior license from the plaintiff who had exclusive broadcasting rights for the matches. The Court concluded there was no property right in (factual) sports scores. Recognising such rights would override copyright law, which left facts unprotected. It would also inhibit constitutional rights; in particular, the freedom of expression and information dissemination. Therefore, despite litigants claiming 'unfair competition' more broadly, Indian courts have tended to analyse such claims within the rubric of passing off.

## 3. Implementation of Specifically Prohibited Acts

With regard to the specifically enumerated acts listed in Article 10*bis*(3) PC, Indian law has clearly defined options for preventing confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3). The following survey does not include IP rights such as trade mark law, which is otherwise relevant for preventing confusion, and design or copyright law, which prevents specific types of copying or misappropriation.<sup>577</sup>

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<sup>572</sup> India acceded on 7 September 1998, with entry into force from 7 December 1998. See: [https://www.wipo.int/treaties/en/notifications/paris/treaty\\_paris\\_188.html](https://www.wipo.int/treaties/en/notifications/paris/treaty_paris_188.html).

<sup>573</sup> *B.K. Engineering Co. vs Ubhi Enterprises* AIR 1985 Delhi 210, at [13] (Avadh Behari, J).

<sup>574</sup> *Eicher Goodearth Pvt Ltd vs Krishna Mehta & Ors*, 29 June 2015 (Delhi HC), at [3b].

<sup>575</sup> *Cerveceria Modelo Demexico v The Origin Ventures & Ors*, 30 September, 2021 (Delhi HC), at [2].

<sup>576</sup> *Akuate Internet Services Pvt. Ltd. and Ors. v Star India Pvt. Ltd. and Ors* 2013 3(1) MIPR. See also *Claudio De Simone and Ors. v. Actial Farmaceutica SRL. and Ors*, 17 March 2020, (Delhi HC) (Where a patent expires and trade secrecy is not applicable because the information is in the public domain, there can be no additional claim of unfair competition to protect the information).

<sup>577</sup> See respectively the Trade Marks Act 1999; the Designs Act 2000, Act No. 16 of 2000; the Copyright Act 1957, Act No. 14 of 1957.

### 3.1 Creating Confusion

The tort of passing off is the primary response to the obligation in Article 10*bis*(3), No. 1 PC, to prohibit ‘acts of such a nature as to create confusion’. It follows the broad contours of UK law in this regard.<sup>578</sup> The tort is based on the principle that ‘a man may not sell his own goods under the pretence that they are the goods of another man’.<sup>579</sup> On several occasions the Indian Supreme Court has explicitly acknowledged the common law origins of this tort. For example, it held that “[t]he doctrine of passing off is a common law remedy whereby a person is prevented from trying to wrongfully utilize the reputation and goodwill of another by trying to deceive the public through passing off his goods.”<sup>580</sup> The test is set out as follows:

The passing off action depends upon the principle that nobody has a right to represent his goods as the goods of some body [else] . . . . [T]he modern tort of passing off has five elements i.e. (1) a misrepresentation (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.<sup>581</sup>

The Supreme Court has also referred to the more familiar “classical trinity” alternative test of goodwill, misrepresentation, and damage.<sup>582</sup> Despite the existence of a statutory regime for registered trademarks, passing off remains an independent cause of action.<sup>583</sup> Trade mark law does however provide the rules of procedure and remedies that are available. Over several decades, Indian courts have developed a considerable body of case law in this area, and historically, the three principal limbs of the tort have been interrelated.<sup>584</sup> These cumulative criteria have traditionally served to structure and limit the operation of passing off. The core of the claim is that the defendant is using the same or similar signs to misleadingly pass off their products as those of the plaintiffs, viewed from the perspective of the average consumer for those products. Those signs (often marks but also extending to trade dress or packaging) must have acquired distinctiveness as badges of goodwill. The Indian Supreme Court has overruled a series of lower court decisions which suggest that a transborder reputation, in the absence of customers and goodwill, will suffice.<sup>585</sup> Goodwill is territorial and requires customers within India. Thus, merely demonstrating that people had heard of the Toyota Prius hybrid car, in the absence of a commercial presence and actual sales in the Indian market at the relevant time, was not sufficient to claim passing off.<sup>586</sup>

### 3.2 Discrediting and Denigrating Allegations

Disparaging or denigrating allegations made by one trader against another are assessed under the tort of malicious or injurious falsehood, which is also referred to as disparagement.<sup>587</sup> Whereas courts in the UK have been reluctant to infer malice, i.e. the mental element relating to dishonest motive, Indian courts have lowered the threshold for this tort in recent years.<sup>588</sup> This tort is frequently utilised in comparative advertising, where one trader claims its own products are superior and directly or indirectly suggests that a competitor’s products are inferior in some way. In such situations, the clear contrast between

<sup>578</sup> See Gangjee, Report on the United Kingdom, P.3.1.

<sup>579</sup> *N. R. Dongre v. Whirlpool Corporation* (1996) 5 SCC 714 (citing with approval the lower court decision).

<sup>580</sup> *Ramdev Food Prod. Pvt. Ltd. v. Arvindbhai Rambhai Patel & Ors* AIR 2006 SC 3304, at [50].

<sup>581</sup> *Cadila Healthcare Ltd. v. Cadila Pharm. Ltd* AIR 2001 SC 1952, at [10].

<sup>582</sup> *Satyam Infoway Ltd. v. Sifynet Solutions Pvt Ltd.* AIR 2004 SC 3540, at [13]-[15].

<sup>583</sup> *RK Patel & Co. & Ors. v. Shri Rajdhar Kalu Patil & Ors.*, 2007 Bom LR 739, at [22].

<sup>584</sup> See Ch 25 of P Naryanan, *Law of Trade Marks & Passing Off* (Eastern Law House, 2018); KC Kailasam (ed), *Venkateswaran on Trade Marks and Passing Off*, 6<sup>th</sup> ed (Lexis Nexis 2015) 1044-1060.

<sup>585</sup> *Toyota Jidosha Kabushiki Kaisha v Prius Auto Industries Ltd & Ors*, 14 December 2017 (SC).

<sup>586</sup> *Toyota Jidosha Kabushiki Kaisha v Prius Auto Industries Ltd & Ors*, 14 December 2017 (SC).

<sup>587</sup> *Colgate-Palmolive v Anchor* (2004) 40 PTC 653 (Madras HC), at [25].

<sup>588</sup> A. Banerjee, ‘Comparative advertising and the tort of generic disparagement’ (2010) 5(11) JIPLP 791.



rival products makes origin confusion, and therefore passing off, unlikely. In the UK malicious falsehood has higher threshold requirements - the plaintiff's product must be specifically identified, an objectively false statement is made, the element of malice is present *and* special damages (or reliance on a statutory presumption) are required.<sup>589</sup> By contrast, for disparagement in India, saying the plaintiff's product is inferior in some way is sufficient to bring a claim (for e.g. a bleach not cleaning clothes as well as the defendant's product, or a drink being not as nutritious). Courts no longer require that the defendant's statements are proved to be untrue, made with malice and result in actual or special damages.<sup>590</sup> Generic disparagement is also recognised, where the defendant refers to the entire class of competitors' products as inferior, without the need for a specific competitor to be identified.<sup>591</sup> English courts have historically considered 'puffing' or exaggeration by a trader, understood as statements of opinion and not fact, to be acceptable. This is both in relation to one's own virtues and when pointing out a competitor's shortcomings. However Indian courts find the latter to be objectionable *per se*. The extent to which this is compatible with the freedom of commercial expression and the freedom to compete has been questioned.<sup>592</sup>

### 3.3 Misleading Indications or Allegations

Misleading representations about a trader's own products are primarily regulated under consumer protection law in India, under the Consumer Protection Act 2019.<sup>593</sup> This regime regulates unfair contractual terms as well as unfair trade practices. The latter is defined as 'a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice'.<sup>594</sup> It includes false representation relating to the standard, quality, quantity, grade, composition, style or model of the goods; false representations that the goods have sponsorship, approval or affiliation; and material misrepresentations as to the sales price. Misleading and false advertising is also separately recognised.<sup>595</sup> Regulatory, investigative and adjudicative authority is granted to the newly established Central Consumer Protection Authority. Those who can file complaints include individual consumers, an individual consumer bringing a class or representative action, consumer associations and the government.<sup>596</sup> The purpose of the new legislation has been to strengthen consumer rights by recognising e-filing, encouraging mediation, removing the requirement for fees for small claims, imposing stricter penalties and to regulate the sale of goods via e-commerce.<sup>597</sup>

## 4. Additional Acts of Unfair Competition

In concluding this report, two additional forms of unfair competition prevention are relevant. The first is the protection of trade secrets and confidential information.<sup>598</sup> Trade secrets can be protected via an obligation to preserve confidentiality imposed under contract law (e.g. the breach of confidentiality clauses in non-disclosure agreements, employment contracts, consultancy agreements). They can additionally and independently be protected by an

<sup>589</sup> See Gangjee, Report on the United Kingdom, P.3.2.

<sup>590</sup> *Reckitt Colman v Ramachandran* (1999) 19 PTC 741; *Pepsi v Coca Cola* (2003) 27 PTC 305; *Dabur India Ltd v. Colortek Meghalaya Pvt. Ltd* (2010) 167 DLT 278 (Delhi DB); *Reckitt Benckiser v Hindustan Unilever Ltd*, 30 July 2021 (Delhi HC).

<sup>591</sup> *Dabur v Emami* (2004) 29 PTC 1; *Dabur v Colgate-Palmolive* (2005) AIR Delhi 102.

<sup>592</sup> A. Banerjee, 'Comparative advertising and the tort of generic disparagement' (2010) 5(11) JIPLP 791.

<sup>593</sup> Act No. 35 of 2019. This replaces the Consumer Protection Act 1986.

<sup>594</sup> S. 2(47) of the Consumer Protection Act 2019.

<sup>595</sup> S. 2(28) of the Consumer Protection Act 2019.

<sup>596</sup> S. 35 of the Consumer Protection Act 2019.

<sup>597</sup> See: <https://consumeraffairs.nic.in/acts-and-rules/consumer-protection>. See also N Chawla and B Kumar, 'E-Commerce and Consumer Protection in India: The Emerging Trend' (2021) *Journal of Business Ethics* [forthcoming].

<sup>598</sup> A Kumar and A Mishra, 'Protecting Trade Secrets in India' (2015) 18(6) JWIP 335.

equitable action for breach of confidence.<sup>599</sup> To qualify as a secret or confidential information, the information must have the necessary quality of secrecy, be of commercial value and reasonable efforts must be undertaken to preserve that secrecy.<sup>600</sup>

The second emerging field relates to image rights protection. Image rights relate to the control of the indicia of personality and include a person's name, nickname, physical likeness, image or photograph, signatures, voice, and other personal characteristics. The claimant – usually a celebrity or famous person – must be identifiable from the defendant's use.<sup>601</sup> The basis for this right is still being developed by the Indian courts and it presently seems to be justified by the protection of privacy interests, as opposed to a proprietary claim in one's image.<sup>602</sup>

## K. JAPAN AND KOREA\*

### 1. Legislative Framework

Japan and Korea have sui generis statutes providing protection against unfair competition: the Japanese Unfair Competition Prevention Act (UCPA),<sup>603</sup> and the Korean Unfair Competition Prevention and Trade Secret Protection Act (UCTSPA)<sup>604</sup>. They provide for specific causes of action, with detailed definitions of unfair conduct. Both laws implement Article 10bis(1) PC explicitly. In addition to unfair competition law, the statutes of intellectual property law may be used in areas where an infringement of intellectual property, such as a trademark, may also constitute conduct of unfair competition. Protection against unlawful conduct under the Civil Code may also provide protection with regard to acts that do not fit into a specific category of unfair conduct, giving rise to claims under tort and unjust enrichment law.<sup>605</sup> The specific causes of action in unfair competition legislation have been expanded through plural statutory revisions, both in Japan and Korea, including regulatory responses addressing technological change and international agreements. As a result, courts are now generally cautious to entertain claims based on general provisions of the Civil Code, especially if there are corresponding provisions of unfair competition law dealing with the specific conduct at issue (see sections 3 and 4).

Neither Japan nor Korea has included an overarching prohibition of unfair competition in the specific national unfair competition statute. The Japanese UCPA provides only an exhaustive list of unfair conduct with no general clause, leaving little possibility of open interpretation. In the course of the 1993 revision of the law, the introduction of a general clause was debated but not adopted, fearing legal uncertainty.<sup>606</sup>

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<sup>599</sup> *John Richard Brady & Ors v Chemical Process Equipment P Ltd & Anr* AIR 1987 Delhi 372; *Diljeet Titus v Alfred Adevare & Ors* 2006 (32) PTC 609 Del.

<sup>600</sup> *Bombay Dyeing v Mehar Karan Singh*, 24 August 2010 (Bombay HC).

<sup>601</sup> *Titan Industries Ltd v M/S Ramkumar Jewelers*, 26 April, 2012 (Delhi HC).

<sup>602</sup> *Krishna Kishore Singh v Sarla A Saraogi*, 10 June, 2021 (Delhi HC); see V. Jhavar, 'Vempati Ravi Shankar – Facebook Copyright Dispute' 9 July 2021, at: <https://spicyip.com/2021/07/copyright-infringement-moral-rights-and-posthumous-enforcement-of-celebrity-rights.html>.

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<sup>603</sup> 不正競争防止法. Law No 47 of 1993. All Japanese statute and translation are available on searchable Japanese law database online. <http://www.japaneselawtranslation.go.jp>, (last visited 1.9.2021)

<sup>604</sup> 부정경쟁방지 및 영업비밀보호에 관한 법률. Act No. 16024 of 2019. All Korean statutes and case law cited in this report are available on searchable Korean law database, <http://www.law.go.kr> (last visited 1.9.2021)

<sup>605</sup> Japanese Civil Code, 民法 Act No. 89 of April 27, 1896, Article 709 et seq. and Korean Civil Act, 민법, Act no. 17905, amended on 2021. 1. 26. Article 750 et seq.

<sup>606</sup> See Y Tamura (2003) *Unfair Competition Law*, 2 edition, Yuhikaku, 7.

The Korean UCTSPA provides for a specific list of unfair conduct, including a general cause of action against unfair free riding that resulted from the revision of the law in 2013 (see 4.5 below).<sup>607</sup>

Statements clarifying the purpose of protection against unfair competition form an explicit part of the statutes. In Japan, the UCPA stipulates in Article 1 that the purpose is to provide “measures, etc. for the prevention of unfair competition and for the compensation for loss or damage caused by unfair competition, in order to *ensure fair competition among undertakings*, and proper implementation of international agreements related thereto, thereby contributing to the sound development of the national economy.” Thus, the purpose is not only the protection of competitors and competition in general, but also, by doing so, to protect consumers’ interests as well as public interests as a matter of policy.<sup>608</sup> Similarly, the Korean UCTSPA provides in Article 1 that the law aims to maintain *sound orderly trade* by preventing acts of unfair competition, such as unfair use of trade indicators widely known in Korea that belong to others, and trade secret misappropriation. The law does not define in more detail what “sound orderly trade” is. Nonetheless, it seems safe to assume that the concept encompasses both the notion of honest commercial practices as well as freedom of competition. Commentators explain that unfair conduct targets the interests of businesses, competitors as well as consumers.<sup>609</sup>

As the unfair competition laws in Japan and Korea provide causes of action against the misappropriation of another person’s achievements, it is unavoidable that there are overlaps with IP laws that protect creative and innovative achievements. To avoid double protection, statutes and case law distinguish protection of IP law from unfair competition law. Under Japanese law, the question may be less acute, as the UCPA should only apply to the specifically prohibited conduct that is listed in Article 2. Scholars in Japan argue that the UCPA regulates only some parts of the four types of conduct which should be regulated as unfair competition: conduct that diminishes or removes competition, conduct that unfairly increases demand, conduct that imitates or misappropriates another person’s achievement, and conduct that creates external inefficiency.<sup>610</sup> Thus, overlapping or interfacing with other laws and regulations may be unavoidable. For example, product shapes and configurations (see 4.2) may enjoy protection not only on the basis of unfair competition law but also under patent, utility model and industrial design registration laws. The protection may be distinguished in terms of the purpose of regulation and available remedies.<sup>611</sup> Article 709 of the Civil Code of Japan provides protection against tort (unjust conduct). However, courts were reluctant to apply this without specific unlawfulness based on statutes, such as IP legislation.<sup>612</sup> The UCPA does not itself contain any statutory rule formally prioritizing IP or other laws in conflict. The determination of the basis of protection, thus, seems to be made case by case. For example, an approach has evolved in case law that prioritizes trademark rights over unregistered signs, if they are invoked in parallel.<sup>613</sup>

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<sup>607</sup> However, court is seen to be cautious and applies this only to cases where there is no equivalent specific conduct and yet conduct is deemed clearly unfair in light of purpose of the unfair competition law. See for example, Seoul Central District Court, 28 August 2014, Decision Ga Hap 552431.

<sup>608</sup> Tamura, *Unfair Competition Law*, 10.

<sup>609</sup> SJ Jung (2020) ‘General: Article 1’ in SJ Jung et al eds, *Commentary on the Unfair Competition Prevention Act*, Pakyoungsa at 13-16

<sup>610</sup> Tamura, *Unfair Competition Law*, 17-21.

<sup>611</sup> For example, 商法 Japanese Commercial Code, Act No. 48 of March 9, 1899 Article 12.1 provides cause of action against use of identical or similar registered commercial name, for unjust purpose and provides injunctive relief in Article 12.2.

<sup>612</sup> See Y Tamura (2014) ‘Protection of First Mover advantage – regulation against imitation of the product configuration in Japan,’ in Lee, Westkamp, Kur, Ohly (eds) *Intellectual Property, Unfair Competition and Publicity* at 217.

<sup>613</sup> See for example, Japanese Supreme Court, 1981 October 12, Case Showa 54 (o) 145, Reported in 35 Minshu 7 at 1129, based on the Article 6 of the old UCPA, which is no longer a part of UCPA.

Courts<sup>614</sup> also seem to take the view that attempts of patent or design right holders to maximize the protection of well-known shapes may amount to an abuse of right in the sense of the general rules of the Civil Code, even though there is no specific statutory rule in the UCPA preventing this.<sup>615</sup>

The Korean UCTSPA places IP law and unfair competition law in a complementary relation to each other, by explicitly providing for the priority of several laws, namely the Patent Act, the Utility Model Act, the Design Protection Act, the Trademark Act, the Agricultural and Fishery Products Quality Control Act, the Copyright Act as well as the Monopoly Regulation and Fair Trade Act and the Act on Fair Labeling and Advertising (AFLA), the Fair Transactions in Subcontracting Act and the Criminal Act.<sup>616</sup> However, Korean courts held that statutory priority does not preclude the application of the UCTSPA to restrict acts that may be deemed unfair even though they are formally compliant with other laws. For example, the registration of a trademark in compliance with the registration requirements of trademark law may still be found to be against unfair competition law, if the purpose of the registration was to freeride on the reputation of another person's unregistered sign.<sup>617</sup> Similarly, the registration of a design that is similar to, or identical with, another person's product was found to be against unfair competition law, even though the registration was carried out in compliance with the registration requirements set forth in the Design Protection Act.<sup>618</sup> The Constitutional Court of Korea confirmed this result by holding that the priority rule of Article 15 UCTSPA does not mean exclusivity by applying one law only.<sup>619</sup> The High Court of Seoul, however, ruled that, in light of the purpose of protection, conduct that is found to be lawful and non-infringing under copyright law should not be found unfair under unfair competition law either.<sup>620</sup> When taken together, case law suggests that Article 15 should mean that other listed laws are prioritized only when there is a conflict of regulation, but as long as there is no conflict, unfair competition law may also apply to the same conduct that are regulated by specific intellectual property legislation, taking into consideration the purposes of the laws and underlying legally protectable interests.

The violation of unfair competition law provides both civil and criminal remedies. However, both Japan and Korea distinguish enforcement arising out of a private law (unfair competition law), from enforcement of public law, such as anti-monopoly, fair trade and labelling regulations. Whilst these laws and regulations are similarly motivated, yet the types of remedies provided for private persons and their requirements, with the involvement of administrative institutions, distinguishes these causes of actions.<sup>621</sup> Nonetheless, some overlap is unavoidable. The Japanese Act on Prohibition of Private Monopolization and Maintenance of Fair Trade which is an instrument of public law categorically prohibits unfair

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<sup>614</sup> For example, Japanese Supreme Court 1984, May 29, Reported in 38 Minshu 7 at 920.

<sup>615</sup> Tamura, *Unfair Competition Law*, 233-235.

<sup>616</sup> Article 15 of UCTSPA

<sup>617</sup> Korean Supreme Court 1993 January 19, Decision 92 Do 2054.

<sup>618</sup> Korean Supreme Court 2013 March 14 Decision 2010 Do 15512.

<sup>619</sup> Korean Constitutional Court 2001 September 27, Decision 99 Hun Ba 77. The court held that the law does not mean that only signs that do not receive protection from trademark law gets protection from UCTSPA or that the infringement of registered signs precludes application of UCTSPA.

<sup>620</sup> For example, Seoul High Court, 2014, December 4, Decision 2014 Na 2011480. In a case disputing copyright infringement of similar photographs of natural landscapes, the court did not find copyright infringement for absence of substantial similarity and refused to apply unfair competition law. Likewise in a case involving game rules, the court ruled that as long as there is no copyright infringement, imitating non copyrighted elements of the game is not against unfair competition law. Seoul High Court, 2017 January 12, 2017, Decision no 2015 Na2063761. On appeal, Supreme Court found copyright infringement and thus reversed the decision, without addressing unfair competition law. Supreme Court 2019.June 27 Decision 2017 Da212095.

<sup>621</sup> Tamura, *Unfair Competition Law*, 14, 309-411 in Japan. S Choi 'Relationship of Unfair Competition Prevention Law and Monopoly Regulation and Fair Trade Act' in Jung eds (2020), *Commentary on the Unfair Competition Prevention Act*, 239-251.

trade practices and yet allows a private enforcement (injunction) for its violation.<sup>622</sup> In contrast, the prevailing opinion in Korea is that private persons do not always receive injunctive relief under the current rules of the Monopoly Regulation and Fair Trade Act.<sup>623</sup>

## 2. Honest Practices in Industrial or Commercial Matters

The absence of an overarching prohibition of unfair competition both in Japan and Korea means that the concept of honest practices in industrial and commercial matters of Article 10bis(2) PC has not been implemented in a general text. Instead, the notion of honest practices has led to the recognition of certain forms of conduct that are specifically exempted from the application of unfair competition regulations.

In Japan, one observation is that the cause of action in unfair competition cases is given only to those whose business interests are harmed. Thus, non-business related conduct (i.e. conduct with a non-commercial purpose) would be considered honest or, at least, as conduct falling outside the scope of the UCPA. In addition, there are specific exceptions that provide concrete examples of honest commercial practice vis-à-vis prohibited conduct.<sup>624</sup> In the area of conduct creating confusion (see 3.1.), for instance, there are specific rules that exempt the use of a common name or own name, and permit use based on prior use. In other words, the use of a sign as a generic, common name, or as one's own name without wrongful purpose and without causing damage to others, or use as a sign for indicating origin before it becomes widely known or famous, or use by persons who have succeeded the business without wrongful purpose, are all exempted. Japanese unfair competition law also provides for protection against slavish imitation, unlawful use of trade secrets and data misappropriation as well as the circumvention of technical protection measures (see section 4). Regardless of these forms of protection, however, use in good faith (i.e. use without knowledge and gross negligence) is allowed for goods, trade secrets and data. As for technical protection measures, use for research and testing purposes is permitted. The concrete exceptions seem to imply that among other factors, the non-commercial purpose of use, and the good faith conduct of competition without knowledge, gross negligence and harmful intent may be considered to be part of the concept of commercial honesty under Japanese law.

In the Korean UCTSPA, non-commercial conduct is considered lawful. The law makes this explicit in several specific places in the statutes.<sup>625</sup> Moreover, courts do make references to fair trade practices in fleshing out the purpose of unfair competition law (see section 1) and concretizing specific conduct prohibited under the general ban of unfair free-riding (see section 4.5) to balance the interests in specific instances. For example, the use of widely known signs is considered lawful, if it is done for non-commercial purposes, by virtue of Article 2.1(c) UCTSPA as well as Article 1-2 of the Enforcement Decree.<sup>626</sup> A non-commercial use assessment under Article 2.1(c) requires a factual determination as to whether the conduct brings any business benefits for the user and what the purpose of the use is.<sup>627</sup> Additionally, the use of widely known signs is permitted in a news report or commentary. It is also allowed on the basis of prior and continued use without improper purpose as long as the use is

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<sup>622</sup>Articles 19 and 24 of 私的独占の禁止及び公正取引の確保に関する法律 Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of April 14, 1947)

<sup>623</sup> SH Kwak (2007), 'Antitrust Enforcement and Injunctive Relief', 56 Korean Lawyer's Association Journal 4 at 80-145.

<sup>624</sup> Article 19 UCPA.

<sup>625</sup> Article 2.1.(c) of UCTSPA and Article 1-2 of Enforcement Decree Of The Unfair Competition Prevention And Trade Secret Protection Act [Enforcement Date 01. Jan, 2019.] [Presidential Decree No.29421, 24. Dec, 2018., Amendment By Other Act]

<sup>626</sup> Enforcement Decree Of The Unfair Competition Prevention And Trade Secret Protection Act [Enforcement Date 01. Jan, 2019.] [Presidential Decree No.29421, 24. Dec, 2018., Amendment By Other Act]

<sup>627</sup> JS Song (2006) Interpretation and Application of Trademark Dilution Theory. PhD Thesis, Seoul National University. [http://www.clt.re.kr/V1/data/file/Thesis/200602\\_D\\_Song%20Jae%20Sup.pdf](http://www.clt.re.kr/V1/data/file/Thesis/200602_D_Song%20Jae%20Sup.pdf) at 230

consistent with “standard practices of fair commercial transactions.” In this context, the reference to standard practices of fair commercial transactions is seen as an adoption of fair use.<sup>628</sup> Article 13 UCTSPA also provides for a good faith exception which, to a limited extent, allows use or disclosure of the trade secret that was acquired lawfully through transaction. This point has been criticized by scholars, as a good faith trader of slavishly imitated goods, for example, may still be subject to claims based on the UCTSPA.<sup>629</sup>

### 3. Implementation of Specifically Prohibited Acts

In Japan and Korea, Article 2 of the respective unfair competition law contains the definition of unfair competition with reference to specific unfair economic conduct. The persons whose business interests have been infringed, or are likely to be infringed, by the listed conduct have the right to seek an injunction and compensatory damages. As the cause of action is limited to traders whose business interests are affected, consumers and consumer interest groups are excluded.<sup>630</sup> Acts of creating confusion (section 3.1), discrediting competitors with false allegations in the course of trade (section 3.2) as well as misleading practices (section 3.3) are all included in the definition of unfair competitive conduct in Japan and Korea. Both countries have also implemented Article 6 septies PC which prohibits the unauthorized registration of signs by an agent or representative, as a specific form of unfair competition. As elaborated in section 4, there are additional instances where protection against unfair competitive conduct is available. Signs with a reputation are protected against dilution under unfair competition law. Slavish imitation and trade secret misappropriation are also defined as unfair competition.

#### 3.1 *Creating Confusion*

Acts of creating confusion by using another’s widely known signs or business indicators is prohibited under Article 2.1.i UPCA and Article 2.1.a and b UCTSPA. This protection against so-called “product or business identity confusion” is aligned with Article 10bis(3) No. 1 PC. From the statutes, it can be deduced that there are three requirements that must be satisfied, namely: (1) signs or indications used should be either identical or similar; (2) they should be widely known,<sup>631</sup> and (3) there should be confusion. Under this regulatory scheme, comparative advertising is allowed as long as the indicator of another’s product or business is not used to indicate the advertiser’s own product or business.<sup>632</sup>

In both countries, the interpretation of what constitutes business signs or indications or protected signs for products or services are broad. The unfair competition statutes include a non-exhaustive list of what may constitute relevant signs or indications. This includes methods of doing business as well as shapes and appearances of products, as long as they can function as identifiers of commercial origin.<sup>633</sup> Article 2.1.b UCTSPA further elaborates the concept of “any other business indicator” and clearly extends the protection to methods of doing business and store get-ups. It thus codifies case law that prohibits the use of another’s

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<sup>628</sup> See JS Song (2020), ‘Article 2.1.(c)’, in Jung (eds), *Commentary on the Unfair Competition Prevention Act*, 53-54.

<sup>629</sup> See JY Choi and KH Lee (2019), *Unfair Competition Law*, 3<sup>rd</sup> edition. Jinwonsa at 21. See also SY Moon (2020) ‘Article 2.1(k)’ in Jung, *Commentary on the Unfair Competition Prevention Act*, 238.

<sup>630</sup> See KJ Paek (2020), ‘Article 2.2 Unfair Competition Prevention and Trade Secret Protection Business’ in Jung, *Commentary on the Unfair Competition Prevention Act*, 400-401. In Japan, see Tamura, *Unfair Competition Law*, 7-8.

<sup>631</sup> Literal translation is ‘widely known’ and the expressions in Japanese and Korean are equivalent linguistically but official English translation differs.

<sup>632</sup> In Japan, see Tokyo High Court, 1981 February 25, Reported in 13 Mutaishu 1 at 134 ‘Fragrance Types.’ In Korea, academic opinion suggests that comparative advertising would not constitute a use relevant for the application of unfair competition law. See Song (2020), *Article 2.1.(c)*, 44.

<sup>633</sup> See for example Japanese Supreme Court 1985 April 9. ‘Appealed from Osaka High Court, Decision of 1983.3.3, Reported in Hanji 1084 at 122. ‘Telemarketing catalogue’. See also Tamura, *Unfair Competition Law*, 119-136.

trade dress.<sup>634</sup> In a case concerning the imitation of a singer's appearance, the Supreme Court of Korea ruled that a name could be an indication and thus enjoy protection, while the appearance of a singer could not be regarded as an indicator eligible for protection against imitation.<sup>635</sup> This may now receive protection, however, by virtue of Article 2.1.k UCTSPA (see section 4.4).

Creation of confusion is understood to mean the act of causing a likelihood of confusion, without requiring actual confusion.<sup>636</sup> Confusion is understood as a broad concept that includes confusion as to association and affiliation among different types of goods or services, if a similar indicator is used.<sup>637</sup> The Supreme Court of Korea ruled that as long as indicators are similar, goods or services may be different in the application of claims under Article 2.1.c UCTSPA.<sup>638</sup> The Supreme Court of Japan went even further by holding that there was a likelihood of confusion as to an affiliation between dissimilar businesses, namely a local bar and the French luxury goods brand Chanel, considering the reputation of the luxury brand and the trend of diversification in the fashion business.<sup>639</sup>

The concept of similarity between indicators is aligned with those used in trademark law, calling for a holistic comparison based on the context of the transaction.<sup>640</sup> The concept of being widely or well known needs some clarification. Japanese law notably requires an indication to be known widely among consumers. It thus leaves open a possibility of protecting indicators known abroad.<sup>641</sup> In Korea, the UCTSPA explicitly limits the assessment geographically to the indicators known within Korea. The Supreme Court held that relevant knowledge must exist among consumers or competitors.<sup>642</sup> The threshold of "being widely known" in Japan is considered to be so low that, arguably, it will hardly ever bar a claimant from asserting protection under the UCPA as long as there is confusion arising from the use of a similar indicator.<sup>643</sup> When there is a conflict between a registered trademark and an unregistered widely known sign that receives protection under the UCPA, current Japanese trademark law provides that the holder of a registered trademark in the sense of Article 32.2 may demand the holder of the unregistered, competing sign to affix an indication to prevent confusion, thereby implying that the protection of registered trademarks takes precedence.<sup>644</sup>

### 3.2 *Discrediting and Denigrating False Allegations*

Discrediting and denigrating false allegations under Article 10bis(3) No. 2 PC is about conduct harming a competitor and thus different from misleading uses or freeriding on another person's sign as an indicator of one's own business or products and services. In Japan, Article 2.1.xxi UCPA specifically implements Article 10bis(3), No. 2 PC by clarifying that the act of making or circulating false allegations about the business of a competitor to cause reputational harm is

<sup>634</sup> For example Korean Supreme Court, 2016 September 21 Decision 2016 Da 229058. See also DH Lee 'Article 2.1.(a)&(b)' (2020), in Jung (ed), *Commentary on the Unfair Competition Prevention Act*, 24-28.

<sup>635</sup> Korean Supreme Court 2009 January 30, Decision 2008 Do 5897.

<sup>636</sup> Lee (2020), *Article 2.1.(a)&(b)*, 34-35, Tamura, *Unfair Competition Law*, 86-91.

<sup>637</sup> For example in Japan Japanese Supreme Court Decision 1998 September 10 Reported in 1655 Hanji at 160 'Snack bar Chanel'. In Korea, Korean Supreme Court 2004 May 14 Decision, 2002 Da 13782.

<sup>638</sup> In Korea, Korean Supreme Court ruled that using a famous trademark 'Viagra' of Pfizer as a domain name for a business selling root juice as health supplement, was considered unfair, in the decision Korean Supreme Court 2004 May 14 Decision, 2002 Da 13782.

<sup>639</sup> Japanese Supreme Court Decision 1998 September 10 Reported in 1655 Hanji at 160 'Snack bar Chanel'.

<sup>640</sup> Korean Supreme Court 2001 February 23 Decision 98 Da 63674. Japanese Supreme Court Decision 1983 January 7, Reported in 37 Minshu 8 at 1082, 'Japan Woman Power'

<sup>641</sup> Osaka District Court, Decision 1999 August 29 Case No Heisei 12 (wa) 2435 'SPARK-S'

<sup>642</sup> See for example Korean Supreme Court 2002 June 14, Decision 2002 Do 1613.

<sup>643</sup> Tamura, *Unfair Competition Law*, 47, 50-54.

<sup>644</sup> Article 6 of the old UCPA law provided more explicitly that any claims based on unfair competition law should be rejected but case law was developed to allow courts to entertain both claims. Commentators view this to mean that the trademark holder has a defense against claims under unfair competition. See Tamura, *Unfair Competition Law*, 229.

actionable. Three conditions need to be met in this context: (1) falsehood in description; (2) an act of notification or circulation; and (3) business reputation of a competitor. Courts held that the description of a competitor's product as "imitation goods" or "inferior goods" meets this requirement.<sup>645</sup> The same can be said about discrediting comparisons. However, it was considered lawful to refer in a comparative sales pitch to a competitor's product having the reputation of a famous brand in comparison to one's own product which is lesser known yet having a better quality.<sup>646</sup> The courts carry out a balancing of interests in these cases, taking into consideration the level of knowledge of those who receive the information.<sup>647</sup> An act of notification or circulation of a false description needs to target a public that does not only consist of the plaintiff. However, it does not have to be a mass communication to the public at large.<sup>648</sup> Lastly, the harmed reputation should be business-related. This requirement excludes personal reputational harm. With regard to personal reputation, Article 709 of the Japanese Civil Code offers a remedy based on the application of tort law, without providing for injunctive relief.<sup>649</sup> The requirement of a competitive relationship does not exclude unfair competition actions against non-profit entities.<sup>650</sup>

In contrast to the situation in Japan, the Korean UCTSPA does not list false or denigrating allegations as a separate cause of action. The law anticipates that discrediting or denigrating conduct will inflict reputational harm on the competitor. If such harm is caused, the remedies offered in Article 6 UCTSP are available to restore the reputation. In practice, such measures include the distribution of written apologies, an apology in an open and public courtroom, the publication of an apology in news media, a retraction in media and publication of the decision against the wrong-doer and the like. As most conduct listed in the UCTSPA as unfair behavior is limited to acts related to one's own goods and services, there seems to be no direct cause of action for denigrating or discrediting conduct targeting a competitor's business. The intentionally harmful use of marks with reputation (see section 4) is an exception to this rule. In addition, the AFLA regulates denigrating allegations that are made in the context of labelling and advertising. The law prohibits, among others, unfair comparative labeling or advertising, and slanderous labeling or advertising,<sup>651</sup> such as comparisons without clear standards, or without providing objective grounds.<sup>652</sup> The Supreme Court of Korea, for example, ruled that it constituted an unfair comparison to state on the basis of limited data for traffic accidents in advertising that a vehicle supplied by a competitor was not safe.<sup>653</sup> The enforcement of AFLA rules involves investigations by the Korean Fair Trade Commission because the remedies are administrative corrective orders, ranging from temporary enjoinder to criminal penalty. An AFLA violation also gives rise to a claim for compensation.<sup>654</sup>

### 3.3 *Misleading Indications or Allegations*

Japan and Korea provide for causes of action against misleading indications or allegations in unfair competition law. While discrediting and false allegations, as discussed in the previous section, target unfair conduct against competitors, the prohibition of misleading indications or allegations serves the purpose of protecting consumers.<sup>655</sup> In Japan, the rules on misleading indications in Article 2.1.xx UCPA implement Article 10bis(3), No. 3 PC.<sup>656</sup> The provision

<sup>645</sup> Osaka District Court, 1974 September 10, Reported in 6 Mutaishu 2 at 217 'Kewpie'

<sup>646</sup> Nagoya District Court 1982 October 15, Reported in Hanta 190 at 155 'Yamaha'

<sup>647</sup> Tokyo High Court 2002 June 26, Reported in Hanji 1795 at 115, 'Pachinko machine patent pool'

<sup>648</sup> Osaka High Court 1980 July 15, Reported in Hanta 427 at 174, applying it to the communication to two business partners of the plaintiff

<sup>649</sup> Tamura, *Unfair Competition Law*, 444.

<sup>650</sup> Tokyo District Court, 1994 December 6, Reported in Hanfukyo1250/172 at 169

<sup>651</sup> Article 3.1.(3)&(4) Korean Act On Fair Labeling and Advertising.

<sup>652</sup> Article 3.3&3.4, Enforcement Decree Of The Act On Fair Labeling and Advertising [Presidential Decree No.25050, 30. Dec, 2013]

<sup>653</sup> Supreme Court, 2003.Febryary 26 Decision 2002 Da 67062.

<sup>654</sup> Articles 7 to 11. Act On Fair Labeling and Advertising

<sup>655</sup> KH Lee (2020) 'Article 2.1.(d)' in Jung (ed), *Commentary on the Unfair Competition Prevention Act*, 56; Tamura, *Unfair Competition Law*, 415

<sup>656</sup> See Yamamoto at 218



prohibits misleading indications regarding the place of origin, quality, content, manufacturing process, purpose, or quantity of goods or the quality, content, purpose or quantity of the services. In Korea, Article 2.1.d to 2.1.f UCTSPA defines as unfair the use of misleading indications of the source of origin, places of production and the like, and the quality, content, manufacturing process, usage, or quantity of a product. There are some overlaps with the regulation of false or exaggerating advertisement in Article 3.1(1) and (2) AFLA. However, as explained above, the AFLA is an instrument of public law empowering the Korean Fair Trade Commission to enforce the law, whereas unfair competition law provides for private recourses against the violation of the law.

In both countries, the concept of “using” an indication includes not only use as a sign on products or services but also use in advertisements and in trade documents and communications. The broad scope of actions against use in trade, including export and import, follows from the list provided in the statutes. Notably, the Japanese UCPA states explicitly that providing goods or services through telecommunication lines constitutes a form of unfair conduct. The Korean law adds the expression “in a manner that makes the public aware of the marks” to explicitly implement Article 3bis of the Madrid Agreement.<sup>657</sup> In contrast to the situation in Japan, a restrictive, literal understanding of the Korean statute may lead to an approach that only covers goods and not services, which has been criticized by commentators.<sup>658</sup>

The concept of “misleading” indications includes the use of a particular geographical indication for goods produced outside the region.<sup>659</sup> Besides passing off,<sup>660</sup> it may also include so-called “reverse passing off” in Korea, following from the omission of relevant information about one’s own product.<sup>661</sup> Case law in Japan prohibits practices, such as bait and switch advertising, where a branded product is used as a bait to sell other goods,<sup>662</sup> or double price indications, where the original price or a standard sales price is used instead of the exhibited price.<sup>663</sup>

#### 4. Additional Acts of Unfair Competition

##### 4.1 *Dilution of an Indication with a Reputation*

Both in Japan (Article 2.1(iii) UCPA) and Korea (Article 2.1(c) UCTSPA), indications with a reputation are protected under unfair competition law against dilution, even if no confusion is caused. Korean legislation limits the application to conduct that damages the specific distinctiveness or reputation of the indication. Japanese law requires evidence of harm to the business interest of the owner of the indication, in order to assert claims for remedies under Article 3 UCPA. The prohibition extends to both dilution by tarnishment and by blurring.<sup>664</sup> The Korean text of the provision extends the protection to “widely known” indications in the sense of Article 2.1(a) and (b) UCTSPA. As to the relationship between protection against dilution and protection against confusion, the Korean Supreme Court held that some of the listed examples of unfair conduct related to forms of confusion that may overlap with conduct causing dilution, based on the statutory language of Article 2.1(a)(b) and (c).

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<sup>657</sup> Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods of April 14, 1891

<sup>658</sup> See KH Lee (2020), *Article 2.1.(d)*, 63-66.

<sup>659</sup> Korea Supreme Court 2006 January 26 Decision 2004 Do 5124.

<sup>660</sup> Seoul High Court 2010 August 26 Decision 2009 Na 122394.

<sup>661</sup> Korea Supreme Court 1989 June.27 Decision 87 Do 1565.

<sup>662</sup> Nagoya District Court 1982 October 15, Reported in Hanta 190 at 155 ‘Yamaha’.

<sup>663</sup> Tamura, *Unfair Competition Law*, 416-417

<sup>664</sup> Tamura, *Unfair Competition Law*, 236-240, 248-250, JS Song (2020) ‘Article 2.1.(c)’ in Jung (ed), *Commentary on the Unfair Competition Prevention Act*, 45-46

In such an overlap scenario, the two causes of actions may be raised at the same time and the Court clarified – in line with academic opinions – that Article 2.1(c) UCTSPA should be understood to cover only famous indications, thus not only known beyond the target consumers and traders but also among the consumers overall.<sup>665</sup>

#### 4.2 *Slavish Imitation of Product Shapes*

In Article 2.1(iii) UCPA and Article 2.1(i) UCTSPA, Japanese and Korean law prohibits the slavish imitation of product forms and shapes as unfair conduct. The provisions provide for a period of protection of three years.<sup>666</sup> From the text of the laws, it is clear that the protection does not extend to services. In addition, it does not cover shapes that are indispensable to a product's function, or common or unavoidable for the type of product.<sup>667</sup> In case law, it was held that such forms may be indispensable to achieve the function and utility of the product (thus relating to the technical function) or to compete in the field,<sup>668</sup> such as when the form is a de facto standard in the market without individual uniqueness.<sup>669</sup> The protection against slavish imitation is extended to non-registered designs falling outside the scope of statutory industrial design protection for registered designs. The protection can also be invoked with regard to products without creative merits. In this respect, it can be distinguished from design or copyright protection. In Japan, Article 2.4 UCPA provides a definition of the “form of goods” that includes “the external and internal shape of goods...”. The “form of goods” is thus defined broadly, leaving open the possibility of protecting internal shapes that may not be visible during ordinary use. Protected forms or shapes include two-dimensional elements, such as patterns on a product,<sup>670</sup> or parts of a product, as long as these parts are essential to the overall form of the product and have independent market value.<sup>671</sup> The concept is also broad enough to cover a combined product display in a set.<sup>672</sup> However, mere product ideas are excluded from protection.

#### 4.3 *Misappropriation of Trade Secrets*

Both Japan and Korea provide for the protection of trade secrets in unfair competition law. In both countries, trade secret protection has been an area of unfair competition law that has seen active involvement of the legislator and an expansion of protection. In Japan, Article 2.6 UCPA defines a trade secret as “technical or business information useful for business activities, such as manufacturing or marketing methods, that is kept secret, and is not publicly known.” The definition does not refer to the value of the secret but requires utility.

In contrast to the approach in Japan, the Korean definition requires both independent economic value and utility (Article 2.2 UCTSPA). In practice, the Korean Supreme Court seems to emphasize the criterion of independent economic value rather than utility.<sup>673</sup> Misappropriation (trade secret infringement) extends to third parties and, thus, includes the improper acquisition, use and disclosure by the primary actor (Article 2.1(iv) UCPA, Article 2.3(a) UCTSPA), as well as by the secondary and subsequent actors, who acquire trade secrets from the primary actors (Articles 2.1.(v) to (x) UCPA and Articles 2.3.(b) to (f) UCTSPA) and with knowledge or due to gross negligence. Both countries provide for civil as well as criminal liability. Notably, as a result of the 2015 revision of trade secret law in Japan, the trading of things (including computer programs) resulting from misappropriated technical

<sup>665</sup> Korean Supreme Court 2004 May 14 Decision 2002 Da 13782.

<sup>666</sup> UCPA Article 19.v.(a), UCTSPA Article 2.1(i)(i)

<sup>667</sup> In Japan, the expression common shape for the type of goods has been replaced in 2005 amendment with functionally indispensable shape, which may include common shape for the type of goods.

<sup>668</sup> Korean Supreme Court 2017 January 24, Decision 2015 Da 216758

<sup>669</sup> In Korea Seoul High Court 2014 April 24 Decision 2013 Na63211,

<sup>670</sup> Korean Supreme Court 2002 February 8 Decision 2000 Da 67839, Tokyo High Court, 1991 December 17, Reported in 22 Mutaishu 2 at 443

<sup>671</sup> SH Park (2020) 'Article 2.1(i)' in Jung (eds), *Commentary on the Unfair Competition Prevention Act*, 171-173

<sup>672</sup> Osaka District Court 1997 September 19, 30 Chizaishuu 3 at 501 'Small bear towel set'

<sup>673</sup> Korean Supreme Court 2011 August 25 Decision 2011 Do 139.

secrets has been added explicitly to the list of unfair conduct in Article 2.1.x UCPA. The civil law protection of trade secrets is limited in time. For example, the right to request an injunction lapses after 20 years in Japan and 10 years in Korea, running from the time when the wrongful act was carried out, or, if the trade secret holder does not assert his right, within 3 years after the trade secret holder obtained knowledge of the fact of wrongdoing and the identity of the wrongdoer. (Article 15(1) UCPA, Article 14 UCTSPA). The right to request damages has not been regulated separately but is available, subject to the same time limitation, under the tort claim for damages in Article 724 of the Civil Code of Japan and Article 766 of the Civil Act of Korea. Good faith (without knowledge and without gross negligence) use or disclosure of a trade secret that has been acquired lawfully through transaction is exempted from civil liability under Korean law (Article 13 UCTSPA). The Japanese exemption is broader. It is not limited to civil liability alone and includes traders of things resulting from misappropriated technical secrets. In both countries, there is a criminal penalty for the misuse of trade secrets abroad (Article 21.6 UCPA, Article 18 UCTSPA), indicating a potential for extraterritorial application.

#### *4.4 Responses to New Technologies*

There are three types of listed acts of unfair competition that target new technological developments, namely unfair conduct concerning domain names (included in the laws of both Japan and Korea), technical protection measures (Japan) and direct data protection (Japan).

More specifically, domain names for websites are protected against “squatting” (Article 2.1.xix UCPA and Article 2.1.h UCTSPA). The Japanese provision requires an acquisition for wrongful gain or with the intention to harm others. It only provides for civil remedies. The Korean statute limits the protection to widely known indications in Korea. However, it prohibits a broader range of unfair acquisition purposes, including the acquisition with the intention to gain commercial profits.

With regard to technical protection measures, Japan provides for a detailed prohibition of the trading of devices and software for the circumvention of technical protection measures (Article 2.1.xvii to xviii UCPA). Korean unfair competition law, by contrast, does not contain specific provisions against the trading of circumvention devices. Instead, this is a part of copyright law which prohibits the trading of devices that circumvent technical protection measures (Article 104bis of the Korean Copyright Act).

In response to the data-driven economy, Japan introduced a new form of protection against data misappropriation, covering the wrongful acquisition, disclosure and use of data by primary or secondary actors (Article 2.1.xi to xvi UCPA). The protection is extended to data shared with limited access, which is defined in Article 2.7 UCPA as “technical or business information that is accumulated to a significant extent and is managed by electronic or magnetic means as information to be provided to specific persons on a regular basis” (excluding information that is kept secret). The definition covers big data with access control that would not meet the requirements for trade secret or copyright protection. Civil remedies (injunction and damages) are available, but no criminal remedy. Korean law does not have any equivalent specific form of protection. However, as seen in the following section 4.5, there is a general prohibition of unfair free riding which may be used to prohibit similar types of conduct relating to data.

#### *4.5 Business Idea Misappropriation and Unfair Freeriding (Korea)*

In Korea, the unfair use or sharing of valuable technical or business ideas divulged during negotiations or transactions is a listed unfair conduct (Article 2.1(j) UCTSPA). The protection is available for specific ideas, which have been shared during negotiations or transactions. However, for a specific idea to enjoy protection, it should be valuable and not already well-known to the recipient.

In addition to this, there is a general prohibition of unfair free-riding in Korea. Article 2.1(k) UCTSPA prohibits “any other acts of infringing on other persons’ economic interests by using others’ achievement made through substantial investment or efforts, for one’s own business without permission, in a manner contrary to *fair commercial practices or competition order*.” To some extent, this is a codification of previous case law in which the Supreme Court<sup>674</sup> held that unfair free-riding on another’s achievement – being the outcome of investment – and use for one’s own benefit to the detriment of the other person constituted an unlawful tort under the Korean Civil Act. The expression of “any other acts” in the provision suggests that this covers forms of conduct that do not fall within the scope of any other listed act of unfair competition. The provision is thus to be used as a complementary form of protection. An interpretation *a contrario* of the text of Article 2.1(k) UCTSPA suggests that achievements which do not require substantial investment or efforts are outside the scope of protection and, accordingly, do not harm fair competition. The determination as to whether a conduct is against fair commercial practices or the competition order ultimately requires a concrete factual consideration of trade standards and customs, as well as social utility. Courts seem to be cautious so as not to apply the general clause too expansively. For example, the Seoul High Court has held that using names of artists as search words in keyword advertising was not in conflict with fair commercial practice in the sense of Article 2.1(k) UCTSPA.<sup>675</sup>

#### L. ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)\*

The Association of Southeast Asian Nations (ASEAN) was originally established in 1967<sup>676</sup> by Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Its membership was later expanded to Brunei Darussalam (1984), Vietnam (1995), Myanmar (1997), Lao PDR (1997) and Cambodia (1999). At the time of writing of this Report, all ASEAN Members are members of the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO) and, with the exception of Myanmar, are party to the Paris Convention for the Protection of Industrial Property (Paris Convention).<sup>677</sup>

ASEAN was established to create a regional economic organization and, in 2015, launched the ASEAN Economic Community (AEC).<sup>678</sup> However, unlike the European Union (EU), ASEAN does not seek to harmonize national law through regional instruments.<sup>679</sup> Thus, there is no regional harmonized system regulating the IP laws and the protection against unfair competition across ASEAN Members. Instead, ASEAN Members follow the principles of consensus and non-interference with national policies, which is referred to as “the ASEAN Way.”<sup>680</sup>

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<sup>674</sup> Supreme Court 2010.8.25 Decision 2008 Ma 1541, Supreme Court 2012.3.29 Decision 2010 Da 20044.

<sup>675</sup> Seoul High Court 2015.1.30 Decision 2014 Na 2006129.

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<sup>676</sup> 1967 Association of Southeast Asian Nations Declaration (Bangkok Declaration), 8 Aug. 1967, I.L.M. 1233.

<sup>677</sup> Even though Myanmar is not yet a party to the Paris Convention, it still follows its principle as a member of the World Trade Organization (WTO) and the Agreement on Trade-Related Aspects to Intellectual Property Rights (TRIPS).

<sup>678</sup> The ASEAN Community consists of the three pillars of the ASEAN Security Community, the ASEAN Economic Community (AEC), and the ASEAN Socio-Cultural Community. These form the Roadmap for an ASEAN Community 2009–2015.

<sup>679</sup> For a detailed analysis of the creation of the AEC, see Stefano Inama & Edmund W. Sim, *The Foundation of the ASEAN Economic Community: An Institutional and Legal Profile*, Cambridge: Cambridge University press, 2015.

<sup>680</sup> 1976 Treaty of Amity and Cooperation in Southeast Asia, Feb. 24, 1976.

In particular, ASEAN Members aim primarily at creating stronger regional cooperation in several areas and have established several initiatives to promote this objective.<sup>681</sup> These initiatives include specific action plans in the areas of IP Law, Competition Law, and Consumer Protection.<sup>682</sup> Even though these plans are not legally binding for ASEAN Members, they have played an important role in promoting the adoption and updates of national IP laws across the region.

Still, at the time of writing this Report, the primary and only legal sources for the regulation of substantive unfair competition laws remain the national laws of individual ASEAN Members. These laws are the specific focus of this Report which offers a general—and limited—review of the national mechanism used by ASEAN Members to implement Article 10*bis* PC. This Report also highlights ASEAN Members' different legal traditions, which add to the complexity of harmonization. In particular, Brunei Darussalam, Malaysia, Myanmar, and Singapore are common law systems; Cambodia, Indonesia, Laos PDR, and Vietnam are civil law systems; and the Philippines and Thailand are hybrid systems, which are predominantly civil law systems but with influence from the common law. Overall, the respective groups tend to share close similarities in their national regulation of unfair competition. This is not surprising due to the shared history and traditions of many of these countries.<sup>683</sup>

## 1. Legislative Framework

Even though ASEAN does not regulate unfair competition at the regional level, the inaugural AEC Blueprint highlighted, in 2007, that “[t]he main objective of [ASEAN’s] competition policy is to foster a culture of fair competition.”<sup>684</sup> The 2015-2025 version of the Blueprint confirms the importance of “enforceable competition rules that proscribe anti-competitive activities” as a necessary instrument to “support the formation of a more competitive and innovative region.”<sup>685</sup> From these general guidelines it is evident that ASEAN Members consider fair competition a fundamental instrument to promote economic integration in the region.

As mentioned, the relevant provisions related to unfair competition law in ASEAN can be found in the respective national laws of ASEAN Members. In general, civil law and common law countries share several similarities in this area, even though some differences characterize each individual ASEAN Member.

Notably, no ASEAN Member has adopted a specific and stand-alone Unfair Competition Act to date. Instead, each ASEAN Member prohibits unfair competition through a combination of provisions, which can be found in national IP laws, consumer protection and competition laws, and laws related to the regulation of advertising. Several ASEAN Members also address unfair competition through economic torts, notably passing off, injurious and malicious

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<sup>681</sup> Declaration on the ASEAN Economic Community Blueprint, [hereinafter ASEAN AEC Blueprint], 2007.

<sup>682</sup> ASEAN AEC Blueprint, 2007, B1 “Competition Policy”; B2 “Consumer Protection”; B3 “Intellectual Property”. With respect to Intellectual Property, ASEAN Members adopted the ASEAN Framework Agreement on Intellectual Property Cooperation, under which they established the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC). See ASEAN Framework Agreement on Intellectual Property Cooperation, Dec. 15, 1995, WIPO Lex. No. TRT/ASEAN-IP/001. The latest initiative adopted by the AWGIPC is the ASEAN Intellectual Property Rights Action Plan 2016–2025, which is primarily focused on facilitating the creation of regional databases and promoting regional. In the area of Competition Law, ASEAN Members created a working group comprising of representatives from national competition authorities (AEGC), which adopted the ASEAN Competition Action Plan (ACAP). ASEAN Members also created the ASEAN Committee on Consumer Protection (ACCP), which implements the ASEAN Action Plan on Consumer Protection (ASAPCP).

<sup>683</sup> See *generally* Mohamad Faisal Keling, Mohamad Nasir Saludin & Shukri Shuib, “The Development of ASEAN from Historical Approach, Canadian Centre of Science and Education”, 2011 available at [repo.uum.edu.my/7270/1/6426.pdf](http://repo.uum.edu.my/7270/1/6426.pdf)

<sup>684</sup> ASEAN AEC Blueprint, 2007, ¶ 41.

<sup>685</sup> ASEAN AEC Blueprint 2025.

falsehood, breach of confidence, and defamation. With the exception of Vietnam,<sup>686</sup> ASEAN Members also have not adopted specific advertising laws and generally regulate advertising under their consumer protection laws.

Turning specifically to civil law countries, in Cambodia, Indonesia, Laos PDR, and Vietnam, protection against unfair competition is partially included in national IP laws (Laos PDR<sup>687</sup>), IP codes (Vietnam<sup>688</sup>), and trademark laws (Cambodia<sup>689</sup> and Indonesia<sup>690</sup>). This model follows closely the tradition of civil law countries in general, which frequently implemented the protection against unfair competition as part of their national IP laws.<sup>691</sup>

On the other hand, common law ASEAN Members implement protection against unfair competition through economic torts. This largely follows the United Kingdom's legal tradition, which is the common model for these jurisdictions.<sup>692</sup> Notably, in Brunei Darussalam,<sup>693</sup> Malaysia,<sup>694</sup> Myanmar,<sup>695</sup> and Singapore<sup>696</sup> the unauthorized use of signs similar to unregistered marks and other acts causing confusion or otherwise misleading consumers and using means contrary to honest trade practices are prohibited under the tort of passing off. Besides passing off, common law ASEAN Members also protect fair competition through the tort of injurious and malicious falsehood and defamation.<sup>697</sup>

Interestingly, passing off is also an action available in the hybrid jurisdictions in ASEAN—the Philippines and Thailand—respectively through specific provisions in the IP Code of the Philippines<sup>698</sup> and the Civil and Commercial Code of Thailand.<sup>699</sup> This again reflects the historical developments in these countries and the influence these developments have on national legislations.

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<sup>686</sup> Law No. 16/2012/QH13 on Advertising (Vietnam) [hereinafter Advertising Law of Vietnam].

<sup>687</sup> Law on Intellectual Property (Amended) 2017 No. 322/P (Lao PDR) [hereinafter IP Law of Lao PDR].

<sup>688</sup> Law No. 50/2005/QH11 on Intellectual Property (Vietnam) [hereinafter IP Law of Vietnam].

<sup>689</sup> Law Concerning Marks, Trade Names and Acts of Unfair Competition (2006) NS/RKM/0202/006 (Cambodia) [hereinafter Trademarks and GIs Law of Cambodia].

<sup>690</sup> Law No. 20 Year 2016 regarding Trademark and Geographical Indications (Indonesia) [hereinafter Law on Trademarks and GIs of Indonesia].

<sup>691</sup> See the Reports summarizing the protection of unfair competition in the European Union (EU) and other Civil Law countries in this Volume.

<sup>692</sup> See, e.g., Kwai Hang Ng & Brynna Jacobson, "How Global is the Common Law? A Comparative Study of Asian Common Law Systems – Hong Kong, Malaysia, and Singapore", *Asian Journal of Comparative Law* 12 (2017), 209.

<sup>693</sup> See "Country: Brunei Darussalam", available at <https://www.wipo.int/export/sites/www/ip-development/en/pdf/asean/brunei.pdf>

<sup>694</sup> See Tay Pek San, *Intellectual property Law in Malaysia*, 2d. ed., Sweet & Maxwell 2020 (49-117).

<sup>695</sup> See Akin Gump, *Myanmar: Protection of Trademarks in Myanmar*, April 25, 2000, *Mondaq*, available at <https://www.mondaq.com/trademark/8597/protection-of-trade-marks-in-myanmarsup1sup>

<sup>696</sup> See Ng-Loy Wee Loon, *Law of Intellectual Property in Singapore*, 2d ed., Sweet & Maxwell 2014 (237-307).

<sup>697</sup> See, e.g., Gerald Tan, *Legal Systems in ASEAN — Singapore, Chapter 5—Business Law (Part 3): The Law of Torts*, available at <https://www.aseanlawassociation.org/wp-content/uploads/2019/11/ALA-SG-legal-system-Part-5-3.pdf>

<sup>698</sup> The Intellectual Property Code, RA No. 8293 (1997) as amended, Art. 168 (Philippines) [hereinafter IP Code of the Philippines].

<sup>699</sup> Civil and Commercial Code as amended, Section 18 (Thailand); Trademark Act B.E. 2534 amended by Trademark Act (no. 2) B.E. 2543 and Trademark Act (No. 3) B.E. 2559, Section 46 (Thailand) [hereinafter Trademark Act of Thailand]. See also Surutchada Reekie & Adam Reekie, "A Comparative Analysis of the Protection of Trade Names Under the English Tort of Passing Off and Section 18 of Thailand's Civil and Commercial Code", *Asian Journal of Comparative Law* 11 (1) (2016), 1-26.

In addition, all ASEAN Members—civil law, common law, and hybrid systems—include provisions related to the protection against unfair competition in their respective national competition laws.<sup>700</sup> Competition law is one of the most developed areas of law in ASEAN, which has been considerably influenced by the EU tradition.<sup>701</sup> Similarly, all ASEAN Members adopt national consumer protection acts, which include provisions relevant to the regulation of unfair competition, in particular related to the prohibition of misleading advertising and similar illicit practices.<sup>702</sup> Also in this respect, the influence of the EU tradition has been relevant as a model for the region and the individual ASEAN legislations on consumer protection.<sup>703</sup>

Overall, based on the current laws, the protection against unfair competition in the various ASEAN Members rests both on considerations related to safeguarding market competition as well as protecting consumers' interest in undistorted competition. However, competition concerns seem to play a more relevant role in national and regional economic development, which is consistent with the primary objective of both individual ASEAN Members<sup>704</sup> and ASEAN as a whole. In this respect, as mentioned, measures against unfair competition are considered a crucial instrument to establish a competitive business environment and, in turn, assist the economic development of ASEAN and ASEAN Members.

## 2. Honest Practices in Industrial or Commercial Matters

In line with the approach outlined above, ASEAN Members adopt different measures to implement Article 10*bis*(2) PC—which introduces the notion of “honest practices in industrial and commercial matters.” As noted in the previous section, the implementation of the provision is similar, although not identical, across civil law ASEAN Members, on one side, and common law ASEAN Members, on the other. In particular, civil law countries tend to implement, more or less directly, Article 10*bis*(2) PC into their national laws, while the same does not apply in common law countries.

In particular, the civil law countries, Cambodia and Laos PDR, have implemented in their respective IP and unfair competition laws a provision that repeats *verbatim* Article 10*bis*(2) PC. The provisions state that “[a]ny act of competition contrary to honest practices in industrial, commercial, service matters shall be considered as act of unfair competition.”<sup>705</sup> However, neither country has elaborated on the meaning of the provisions and offered a judicial interpretation of the notion of “honest practices” at the time of writing of this Report. This is not surprising due to the fact that the adoption of IP laws in both Cambodia and Laos PDR is relatively recent.

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<sup>700</sup> For the list of national legislations, see “Competition Policy in ASEAN”, <https://www.asean-competition.org> (in addition, Cambodia has enacted a national Competition Law in October 2021).

<sup>701</sup> See, e.g., Burton Ong, “Competition Law and Policy in the ASEAN Region: Origins, Objectives and Opportunities”, in Burton Ong (ed.), *The Regionalisation of Competition Law and Policy within the ASEAN Economic Community*, Cambridge: Cambridge University Press 2018 (1-30); Josef Drexler, “The Transplantability of the EU’s Competition Law Framework into the ASEAN Region”, in Burton Ong (ed.), *The Regionalisation of Competition Law and Policy within the ASEAN Economic Community*, Cambridge: Cambridge University Press 2018 (210-235).

<sup>702</sup> For the list of national legislations, see “Consumer Protection in ASEAN: Latest Country Updates”, <https://aseanconsumer.org>

<sup>703</sup> See the contributions in Luke Nottage, Justin Malbon, Jeannie Paterson, & Caron Beaton-Wells, *ASEAN Consumer Law Harmonisation and Cooperation*, Cambridge: Cambridge University Press 2019.

<sup>704</sup> For example, Article 6(d) of the IP Law of Vietnam expressly provides: “Rights to repression of unfair competition shall be established on the basis of competition in business.”

<sup>705</sup> Trademarks and GIs Law of Cambodia, Art. 22; IP Law of Lao PDR, Art. 124.

The IP Code of the Philippines—one of the hybrid systems that largely follows the civil law—includes a specific definition of “unfair competition in agricultural, commercial or industrial enterprises or in labor.”<sup>706</sup> In particular, “unfair competition” is defined as the “use of force, intimidation, deceit, machination or any other unjust, oppressive or highhanded method.”<sup>707</sup> The IP Code of the Philippines additionally states that “any person” using “deception or any other means contrary to good faith” in order to “pass off [his] goods ... or in which he deals” is considered “guilty of unfair competition.”<sup>708</sup>

Indonesia and Vietnam, on the other hand, do not seem to have adopted any official provision specifically addressing practices labelled as “honest and dishonest practices” as part of their IP laws.<sup>709</sup> However, national legislations in both countries use the terms “honest” or “fair” as adjectives describing the actions that legal subjects should follow as part of fair competitive practices. For example, the Anti-Monopoly and Unfair Business Competition Law of Indonesia refers to “Unfair Business Competition” as the “[c]ompetition among entrepreneurs in conducting their production activities and/or in marketing goods and/or services, conducted in a manner which is unfair or contradictory to the law or hampering business competition.”<sup>710</sup> Similarly, the 2018 Competition Law of Vietnam refers to “unfair competition practice,” which is defined as “competition acts performed by enterprises against the principles of good faith, honesty, business norms and standards.”<sup>711</sup>

The word “fair” is also used in several provisions in the Trade Competition Act of Thailand—the other hybrid system largely following civil law—even though the use refers to the “prevention of monopoly and unfair trade,” which relates to monopoly or other anti-competitive practices.<sup>712</sup> Besides this example, the language “honest and dishonest practices” does not seem to be specifically included as part of national IP provisions in Thailand.

A definition of “unfair competition” or acts contrary to “honest practices in industrial and commercial matters” is also not included in any of the relevant IP statutes of the common law ASEAN Members. Instead, the expression “honest practices in industrial and commercial matters” is specifically introduced in these countries’ trademark and geographical indications statutes regarding the exceptions and limitations to the rights granted by trademarks and geographical indications (GIs).<sup>713</sup> In other words, national laws refer to the concept to identify conducts that can be adopted without the consent of the IP owners.

In particular, Brunei Darussalam, Malaysia, and Singapore provide, with seemingly identical language in their laws, that certain actions do not constitute trademark infringement. These actions relate to the use of a mark by third parties to identify: a) one’s own name or address;

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<sup>706</sup> IP Code of the Philippines, Art. 28.

<sup>707</sup> *Id.*

<sup>708</sup> *Id.*, Art. 168.2. See also *Co v. Spouses Yeung*, G.R. No. 212705, September 10, 2014; *San Miguel Pure Foods Co., Inc. v. Foodsphere, Inc.*, G.R. Nos. 217781 & 217788, June 20, 2018; *Petron Corp. v. Yao, Sr.*, G.R. No. 243328, March 18, 2021.

<sup>709</sup> Elucidation to the Law on IP Law of Lao PDR, Art. 124.. 21. “Application”.

<sup>710</sup> Law No. 5 Year 1999 concerning The Ban on Anti-Monopoly and Unfair Business Competition, Art. 1(6) (Indonesia) [hereinafter Indonesia Competition Act].

<sup>711</sup> Competition Law 2018 (replacing law of 2004), Art. 3.6 (Vietnam). In addition, Art. 5.2. provides that “Competition must be implemented on the principles of honesty, fairness, non-infringement upon the interests of the State, public interests, legitimate rights and interests of enterprises and consumers.” *Id.*

<sup>712</sup> Trade Competition Act B.E. 2560 (2017), Ch. 3 (Thailand) [hereinafter Competition Act of Thailand].

<sup>713</sup> Trade Marks Act 2000 (as amended in 2014 and 2017), Section 14 and Schedules for Certification Marks and Collective Marks (Brunei Darussalam) [hereinafter Trademark Act of Brunei Darussalam]; Trademarks Act (2019), Sections 55(1) and 77, and Schedules for Certification Marks and Collective Marks (Malaysia) [hereinafter Trademark Act of Malaysia]; Trade Marks Act (1998 as revised in 2005), Section 28(1) (Singapore) [hereinafter Trademark Act of Singapore].



b) the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods or of rendering of services, or other characteristics of the goods or services; or (c) the intended purpose of a product or service—“provided the use is in accordance with honest practices in industrial or commercial matter.”<sup>714</sup> A similar provision is not included, however, in the 2019 Trademark Law of Myanmar, which has not yet entered into force.<sup>715</sup>

The use of the expression “honest practices in industrial and commercial matters” in the context of exceptions and limitations to trademark rights is not limited to the common law ASEAN Members. The same language, which is used in the national laws of Brunei Darussalam, Malaysia, and Singapore, can also be found in specific provisions of the Vietnam IP Law.<sup>716</sup> The IP Code of the Philippines contains a similar provision related to trademark defences, even though the statutory text does not directly refer to “honest practices” but indicates that the use of the mark “cannot mislead the public as to the source” of the products.<sup>717</sup> The domestic legislations of Cambodia, Laos PDR, and Thailand, on the other hand, do not seem to include similar provisions.

Overall, review of the existing provisions across ASEAN Members indicates that policy makers and the judiciary follow a combined approach in determining compliance with honest practices, even though, as mentioned, the examples of practical application of these provisions remain limited. In particular, it seems that the competent authorities follow a normative approach based on perceptions of honesty in the sector combined with both an empirical approach based on the customs in the sector and an economic approach focusing on the aim to optimize the functioning of the market.<sup>718</sup>

For example, in Singapore, the Court of Appeal interpreted the notion of “honest practices in industrial and commercial matters” stating that it entails both subjective and objective elements and that, in assessing the facts, courts “must have regard to standards and practices that are commonly applied in the industry or business.”<sup>719</sup> Most relevant, the Court opined that any use “otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.”<sup>720</sup> To reference another example, in the Philippines, national courts highlighted that “unfair practices” have “two characteristics: (1) must involve an injury to a competitor or trade rival, and (2) must involve acts which are characterized as contrary to ‘good conscience’ or ‘shocking to judicial sensibilities,’ or otherwise unlawful.”<sup>721</sup> Courts in the Philippines also noted that the essential elements of an unfair competition action are: a) confusing similarity in the goods’ appearance; and b) intent to deceive the public and defraud a competitor, which does not require an actual fraudulent intent.<sup>722</sup>

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<sup>714</sup> See the preceding note. In this respect, the provisions in these countries follow closely the approach adopted in the EU, notably Art. 14(2) EUTMR; Art. 14(2) TMD.

<sup>715</sup> Pyidaungsu Hluttaw Law No. 3/2019, *Trademark Law* (Myanmar).

<sup>716</sup> IP Law of Vietnam, Arts. 125.2.g & 125.2.h

<sup>717</sup> IP Code of the Philippines, Art. 148.

<sup>718</sup> This seems to be also the view of private practitioners, academics, and selected officials from these jurisdictions that were consulted by the author while drafting this Report.

<sup>719</sup> *Audience Motivation Company Asta v. AMC Live Group China*, 216 SGCA 25.

<sup>720</sup> *Id.*

<sup>721</sup> See, e.g., *Willaware Products Corp. v. Jesichris Manufacturing Corp.*, G.R. No. 195549, September 3, 2014.

<sup>722</sup> See *Petron Corp. v. Yao, Sr.*, G.R. No. 243328, March 18, 2021; *San Miguel Pure Foods Co., Inc. v. Foodsphere, Inc.*, G.R. Nos. 217781 & 217788, June 20, 2018.

In general, the interpretation of the notion of “honest practices in industrial and commercial matters” seems again to confirm that ASEAN Members primarily and consistently focus on concerns based on economic concepts and the protection of competitors in order to define what represents “honesty” in the course of trade.

### 3. Implementation of Specifically Prohibited Acts

ASEAN Members’ implementation against specific acts of unfair competition according to Article 10*bis*(3) PC—notably, 1) acts that create confusion with competitors; 2) false, discrediting, and denigrating allegations; and 3) otherwise misleading practices—also varies. On one side, civil law countries again tend to implement the protection against specific unfair competition acts as part of their national IP laws, even though this implementation also varies depending on the individual jurisdictions. On the other hand, common law countries rely primarily on the torts of passing off and malicious falsehood.

In particular, amongst civil law countries, Cambodia and Laos again implemented into their respective national laws a provision that repeats verbatim Article 10*bis*(3) PC.<sup>723</sup> Neither the Cambodian nor the Laos statute elaborate, however, on the interpretation or provide examples of the listed acts. Likewise, courts have again not interpreted these provisions in either country at the time of writing. Interestingly, the IP law of Laos PDR adds a fourth category to the list of Article 10*bis*(3) PC and also prohibits the “direct or indirect use of a false indication of the source of a good or the identity of the producer, manufacturer, or merchant.”<sup>724</sup> This protection extends to all commercial “indications,” including non-registered trademarks and GIs. However, no decision has again been issued interpreting the provision.

A similar provision protecting “indications of sources” is included also in the current Trademark and Geographical Indications Law of Indonesia.<sup>725</sup> Again, the Indonesian statute does not elaborate on the acts against which these indications are protected and simply mentions that “indications” are “protected without any compulsory registration or declaratively as a sign indicating the true origin of goods and/or services and use in a course of trade.”<sup>726</sup> Indonesia also does not seem to use a language similar to Article 10*bis*(3) PC as part of its IP laws. Instead, Indonesia addresses unfair business practice in the Competition Law and the recent 2021 Government Regulation on Anti-Monopoly and Unfair Competition.<sup>727</sup> As mentioned in the previous section, the Indonesian Competition Law defines “Unfair Business Competition” and addresses various anti-competitive conducts, which generally encompass practices amounting to the acts listed in Article 10*bis*(3) PC.<sup>728</sup>

Similar to Indonesia, Thailand does not implement the specific categories listed in Article 10*bis*(3) PC as part of its IP laws. The only relevant indication in this respect is the Trademark Act’s provision acknowledging the right of the owner of an unregistered trademark to bring legal proceedings against any person for passing off goods as those of the owner of the trademark.<sup>729</sup>

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<sup>723</sup> Trademarks and GIs Law of Cambodia, Art. 22; IP Law of Lao PDR, Art. 124.

<sup>724</sup> IP Law of Lao PDR, Art. 124.

<sup>725</sup> IP Law of Lao PDR, Art. 65.

<sup>726</sup> *Id.*

<sup>727</sup> Indonesia Competition Act, Art. 1(6). On the other hand, no official translation (or other translation) is available for Government Regulation No. 44 of 2021 on the Implementation of the Prohibition of Monopolistic Practices and Unfair Business Competition, which was enacted on February 2, 2021.

<sup>728</sup> Indonesia Competition Act, Art. 1(6).

<sup>729</sup> Trademark Act of Thailand, Section 46.

On the other hand, also in Thailand, the law concerning unfair competition is the Trade Competition Act, which generally restricts anti-competitive practices in the marketplace.<sup>730</sup>

The IP Law of Vietnam offers, instead, a detailed description of unfair competition. Notably, the following constitutes unfair competition: a) using commercial indications to confusion as to business entities, activities or products' origin; and b) using commercial indications to cause confusion as to the products' origin and characteristics.<sup>731</sup> "Commercial indications" are defined as "signs and information serving as guidelines to trading of goods or services including marks, trade names, business symbols, business slogans, geographical indications, designs of packages and/or labels of goods"<sup>732</sup>; and "acts of using commercial indications" include "affixing such commercial indications on goods, goods packages, means of service provision, business transaction documents or advertising means; and selling, advertising for sale, stocking for sale and importing goods affixed with such commercial indications."<sup>733</sup> Prohibited acts extend beyond the list of the Paris Convention, and include: c) using marks protected in countries members of treaties to which Vietnam is a party and "under which representatives or agents of owners of such marks are prohibited from using such marks, if users are representatives or agents of the mark owners and such use is neither consented to by the mark owners nor justified;"<sup>734</sup> and d) registering or possessing a domain name identical with or confusing similar to indications of origin without having the right to use it for the purpose of "benefiting from or prejudicing the reputation and popularity of the respective mark, trade name or geographical indication."<sup>735</sup>

While Vietnam's IP Law addresses the protection against acts that create confusion with competitors and otherwise misleading practices—Article 10*bis*(3), No. 1 and 3 PC—Vietnam's Advertising Law prohibits false allegations in the course of trade—the acts listed under Article 10*bis*(3), No. 2 PC. In particular, the Advertising Law prohibits, inter alia, the following: "using advertisements that offend the prestige, honor and dignity of other organizations and individuals" and "advertising incorrectly or causing confusion about the business competence, the ability to provide products" and the characteristics of the products.<sup>736</sup>

The IP Code of the Philippines also describes acts of unfair competition in details. In particular, the following act "shall be deemed guilty of unfair competition": a) selling goods with the general appearance of goods of another manufacturer or dealer, including the packaging and other features; b) employing means to induce the false belief that such person is offering the services of another; or(c) making false statement in the course of trade or committing any other act contrary to good faith in order to discredit the goods, business or services of a competitor.<sup>737</sup> National courts have interpreted these provisions and confirmed that the test for a finding of unfair competition is "whether the acts of the defendant have the intent of deceiving or are calculated to deceive the ordinary buyer making his purchases under the ordinary conditions of the particular trade to which the controversy relates."<sup>738</sup>

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<sup>730</sup> Competition Act of Thailand.

<sup>731</sup> IP Law of Vietnam, Art. 130(1)(a)-(c).

<sup>732</sup> *Id.*, Art. 130(2).

<sup>733</sup> *Id.*, Art. 130(3).

<sup>734</sup> *Id.*, Art. 130(1)(d).

<sup>735</sup> *Id.*, Art. 130(1)(e).

<sup>736</sup> Advertising Law of Vietnam, Art. 8.

<sup>737</sup> IP Code of the Philippines, Art. 168.

<sup>738</sup> *Petron Corp. v. Yao, Sr.*, G.R. No. 243328, March 18, 2021. See also *San Miguel Pure Foods Co., Inc. v. Foodsphere, Inc.*, G.R. Nos. 217781 & 217788, June 20, 2018.

On the other hand, ASEAN’s common law countries—Brunei Darussalam, Malaysia, Myanmar, and Singapore—rely on the tort of passing off and have not implemented provisions modelled after Article 10*bis*(3) PC. An action for passing off is independent from, and can co-exist, with protection granted to registered IP rights. In general, to succeed in such action, three elements must be proven: a) goodwill, generally in the country at issue; b) misrepresentation; and c) damage. These elements endorse the UK courts’ formulation of essential elements of passing off.<sup>739</sup> In this respect, there is a distinction between goodwill and reputation under the law of ASEAN’s countries as in the UK. Goodwill is proprietary, while reputation is not. Goodwill is the “the attractive force which brings in customs” and resides in goods and services.<sup>740</sup>

At the time of writing, Singapore<sup>741</sup> and Malaysia<sup>742</sup> are the countries with the most developed case law in this area.<sup>743</sup> In both countries, claimants must prove goodwill in the country for a finding of passing off. To the contrary, foreign businesses without business activities in Singapore or Malaysia are not entitled to claim passing off. In 2014, the Singapore Court of Appeal, in *Staywell Hospitality Group*<sup>744</sup>, indicated that it could recognise that famous foreign business could have goodwill also without conducting business within the jurisdiction, yet in 2015, in *Ku De Ta*,<sup>745</sup> it re-affirmed that foreign traders must have a business activity in Singapore. The Malaysian Court of Appeal also took the position that foreign traders need to prove goodwill in Malaysia for a finding of passing off,<sup>746</sup> even though a “small amount” of business is sufficient in this respect.<sup>747</sup> As noted in the next section, well-known mark owners can still find relief under national trademark acts, which implement Article 6*bis* PC and offer protection for unregistered well-known marks.<sup>748</sup>

Besides passing off, misleading and false allegations in the course of trade can be addressed under the tort of malicious falsehood. Malicious falsehood occurs when someone publishes information that can seriously damage a trader’s position or reputation. As this tort seeks to protect the trader’s reputation rather than the trader’s goodwill over his goods, as in the case of passing off, the tortuous action is also known as “trade libel.” The essence of malicious falsehood is falsity and malice. In establishing this tort, plaintiffs need to prove: a) that the defendant had published words which were false about the plaintiff; b) that these words were published maliciously; c) and that special damage has followed as the direct and natural result of the publication.<sup>749</sup> In ASEAN’s common law countries, the tort of malicious falsehood is generally governed by common law as modified by national defamation acts.<sup>750</sup>

Ultimately, the analysis of the implementation of Article 10*bis*(3) PC in ASEAN seems to highlight that, even though a specific competitive relation is not necessary to find unfair competition, such relationship is often a fundamental part of the prohibited acts across all

<sup>739</sup> *Leather Cloth Co. v. American Cloth Co.* (1865), 11 HL Cas 523.

<sup>740</sup> *IRC v. Muller & Co Margarine Ltd* (1901) AC217.

<sup>741</sup> *Lifestyle 1.99 Pte Ltd v. S\$1.99 Pte Ltd* (trading as ONE.99 SHOP). [2000] SGCA 19; *Ingenohl v. El Oriente Fabrica De Tabacos* [1928] S.S.L.R. 212.

<sup>742</sup> *Tee Yih Jia Food Manufacturing Pte Ltd v Seet Chuan Seng & Anor* [1993] 2 CLJ 354; *Pakai Industries Bhd v. Chew Yew Industries Sdn Bhd* [1991] 3 CLJ 383.

<sup>743</sup> In Brunei Darussalam, see *Canon Kabushiki Kaisha v Lee Unison Company* (1993). In Myanmar, see *K.E. Mohamed Ebrahimord Another v. The Tajmahal Stationery Mart*, [1952] B. L. R. 204.

<sup>744</sup> *Staywell Hospitality Group Pty Ltd v Starwood Hotels & Resort Worldwide, Inc* [2014] 1 SLR 911.

<sup>745</sup> *Guy Neale v Ku De Ta SG Pte Ltd* [2015] 4 SLR 283.

<sup>746</sup> *Lim Yew Sing v Hummel International Sports & Leisure* [1996] 3 MLJ 7.

<sup>747</sup> *Thrifty Rent-A-Car System, Inc v Thrifty Rent-A-Car Sdn Bhd & Anor* [2004] 7 MLJ 567.

<sup>748</sup> See *infra* Section 4.

<sup>749</sup> See, e.g., Per Kamalanathan Ratnam J. in *Tan Chong & Sons Motor Co Sdn Bhd v. Borneo Motors (M) Sdn Bhd & Anor* [2001] 3 AMR 3789.

<sup>750</sup> See, for example, Defamation Act, revised ed. 2014 (Singapore); Defamation Act 1957, as amended (Malaysia); Defamation Act, revised in 2000 (Brunei Darussalam).

ASEAN Members. In other words, the review of the protection against specific acts of unfair competition indicates that the primary concern across ASEAN Members is national and regional competition.

#### 4. Additional Acts of Unfair Competition

Besides the provisions described in the previous sections, additional protection may be available in ASEAN Members, on the one hand, for the following: a) unfair free riding and protection against the evocation/misappropriation of well-known marks, including trade dress, and unregistered GIs; b) protection against the misappropriation of trade secrets and confidential information. On the other hand, protection against slavish imitation seems to be included under the general provisions against unfair competition or passing off analyzed in the previous sections.

In particular, regarding unfair free riding and the protection against the misappropriation or evocation of well-known marks, several ASEAN Members provide protection for well-known marks, regardless of whether the marks have been registered and carried on business in the country. This protection extends beyond similar products and does not require a likelihood of confusion. Instead, following the language of Article 16(3) TRIPS, protection is offered for well-known marks against uses that would indicate a connection, sponsorship, or affiliation with the marks and likely damage trademark owners' legitimate interests. The trademark laws of Brunei Darussalam,<sup>751</sup> Malaysia,<sup>752</sup> the Philippines,<sup>753</sup> Singapore,<sup>754</sup> and Vietnam<sup>755</sup> include this protection. In Singapore, such action can be based on uses that could "cause dilution in an unfair manner of the distinctive character of the proprietor's trade mark" or "would take unfair advantage of the distinctive character of the proprietor's trade mark."<sup>756</sup> On the other hand, Cambodia,<sup>757</sup> Laos PDR,<sup>758</sup> and Indonesia<sup>759</sup> protect unregistered well-known marks only with respect to similar goods and services and based on the requirement of an existing likelihood of confusion. In addition, the language of the Thai statute does not specify any protection for unregistered well-known marks beyond the general passing off provision.<sup>760</sup>

Regarding the protection of unregistered GIs, this protection is available in Singapore. Under the former Singapore Geographical Indications Act 1998, any indication used in trade to identify goods as originating from a specific place could be protected within the requirements of the TRIPS Agreement.<sup>761</sup> The Geographical Indications Act 1998 did not provide for a registration system and GI holders could institute civil proceedings for any presumed violation, which included protection not only against confusing uses but also provided anti-

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<sup>751</sup> Trademark Act of Brunei Darussalam, Section 54.

<sup>752</sup> Trademark Act of Malaysia, Section 76. Cases on point decided in Malaysia under the previous trademark law, include: *Y-Teq Auto Parts (M) Sdn Bhd v. X1R Global Holdings & Anor* [2017] 2 MLJ 609; *Warmal Wil Heavy Duty Pumps Sdn Bhd v. Pump Matrix Engineering Sdn Bhd* [2018] MLJU 86; *Colliers International Property Consultants Inc v. Colliers International Property Consultants Sdn Bhd* [2015] MLJU 2348.

<sup>753</sup> IP Code of the Philippines, Art. 169. See *Forietrans Manufacturing Corp. v. Davidoff Et. Cie Sa & Japan Tobacco, Inc.*, G.R. No. 197482, March 6, 2017.

<sup>754</sup> Trademark Act of Singapore, Section 55.

<sup>755</sup> IP Law of Vietnam, Art. 129(d).

<sup>756</sup> Trademark Act of Singapore, Section 55.

<sup>757</sup> Trademarks and GIs Law of Cambodia, Art. 26.

<sup>758</sup> IP Law of Lao PDR, Art. 58(3)

<sup>759</sup> Law on Trademarks and GIs of Indonesia, Art. 83(2). See, e.g., Commercial Court of Central Jakarta Decision No. 72/Pdt.Sus-Merek/2014/ PN Niaga Jkt.Pst and Supreme Court Decision No. 164 K/Pdt.Sus-HKI/2016 (Prada); Commercial Court of Central Jakarta Decision No. 15/Pdt.Sus-Merek/2015/ PN Niaga Jkt.Pst and Supreme Court Decision No. K/Pdt.Sus-HKI/2015 (Pierre Cardin).

<sup>760</sup> Trademark Act of Thailand, Section 46.

<sup>761</sup> Geographical Indications Act No. 44 of 1998, Section 2 (Singapore) (date of commencement: January 15, 1999).

misappropriation protection for GIs for wines and spirits.<sup>762</sup> Even though Singapore has adopted a GI registration system with the new Geographical Indications Act 2014,<sup>763</sup> the national law still does not mandate registration for GIs and continues to protect unregistered GIs, which again includes protection against misappropriation in the case of GIs for wines and spirits.

In addition, ASEAN Members provide protection against the misappropriation of trade secrets and confidential information as part of their obligation to implement Article 39 TRIPS. As in other countries, ASEAN Members protect trade secrets so long as: a) the information is not available to the public; b) has commercial value; and c) measures were taken to protect its confidentiality. However, there is no harmonization regarding the means of protection for trade secrets across ASEAN Members. In particular, ASEAN's civil law countries protect trade secrets through specific statutory provisions, whereas common law countries follow the UK tradition and protect trade secrets under the action of breach of confidence.<sup>764</sup> Similar to other jurisdictions, trade secrets are also protected under other provisions, such as contract law, employment law, and criminal law.

More specifically, Indonesia<sup>765</sup> and Thailand<sup>766</sup> protect trade secrets through specific trade secret statutes. A similar statute specifically protecting trade secrets has been drafted in Cambodia and is currently awaiting approval by the legislature.<sup>767</sup> Instead, Laos PDR,<sup>768</sup> the Philippines,<sup>769</sup> and Vietnam<sup>770</sup> include the protection of trade secrets under their general IP laws. As mentioned, Brunei Darussalam,<sup>771</sup> Malaysia,<sup>772</sup> and Singapore<sup>773</sup> protect trade secrets based on the common law action of breach of confidential information. Finally, at the time of writing, there is no specific protection for trade secrets in Myanmar, even though the Competition Act of 2015 prohibits the disclosure of confidential information as an act of unfair competition.<sup>774</sup>

In addition, as specific trade secret obligations are included in employment or other contracts in all ASEAN Members, trade secret protection can generally be enforced under national contract laws. Also relevant can be legislation related to the control of electronic devices, such as computers. For example, in Singapore, the Misuse of Computer Act makes it an offence to gain unauthorised access to employers' computers to retrieve or download information.<sup>775</sup> As a large amount of confidential information is stored in computers, this law is also a useful instrument to protect trade secrets. Last but not least, trade secrets in electronically stored

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<sup>762</sup> *Id.*, Section 3(2)(c).

<sup>763</sup> Geographical Indications Act No. 19 of 2014 (Singapore).

<sup>764</sup> These jurisdictions largely follow the UK leading precedent *Coco v A.N. Clark (Engineers) Ltd* [1969] R.P.C. 41.

<sup>765</sup> Law No. 30 of 2000 regarding Trade Secret (Indonesia).

<sup>766</sup> Trade Secret Act of B.E. 2545 (2002) (Thailand).

<sup>767</sup> At the time of writing, trade secrets can be protected in Cambodia only under the general provisions on unfair competition or contract law for breach of contract under the Contract Law of 1998.

<sup>768</sup> IP Law of Lao PDR, Art. 20. Information not eligible for protection as trade secrets includes personal secrets, secrets of the state and state administration, and other non-business related secret information.

<sup>769</sup> IP Code of the Philippines, Art. 4(1)(g). The IP Code includes "undisclosed information" as IP right, but does not define it. The Supreme Court, in the case of *Air Philippines Corp. v. Pennswell Inc.* G.R. 172835, 13 December 2007, adopted the definition of the term from Black's Law Dictionary.

<sup>770</sup> IP Law of Vietnam, Art. 127. The following information may not be protected as trade secrets: 1) personal status secrets; 2) state management secrets; 3) other confidential information which is not relevant to business

<sup>771</sup> Brunei Darussalam additionally adopts an Official Secrets Act (1940).

<sup>772</sup> See, e.g., *Dynacast (Melaka) Sdn Bhd v Vision Cast Sdn Bhd* [2016] 3 MLJ 417.

<sup>773</sup> See *I-Admin (Singapore) Pte Ltd v Hong Ying Ting & Others* [2020] SGCA 32; *Clearlab SG Pte Ltd v Ting Chong Chai & Others* [2015] 1 SLR 163.

<sup>774</sup> *Pyidaungsu Hluttaw Law No. 9/2015 - Competition Law* (Myanmar). In addition, passing off may be useful to protect commercial secrets. This protection is based on the Myanmar Penal Code of 1861.

<sup>775</sup> Computer Misuse Act (1993), revised ed. 2007, Arts. 2 and 5 (Singapore).

information can be protected under national copyright legislations regarding the obligations related to digital rights management and the protection of technological protection measures.<sup>776</sup> Data protection is also being implemented in several countries, following the adoption of the ASEAN Framework on Data Protection in 2016, and can be relevant regarding the protection of trade secrets.<sup>777</sup>

## Conclusion

Because of its limited scope, this Report cannot capture all the details of the implementation of the protection against unfair competition in ASEAN. However, this Report shows that ASEAN Members adopt relevant rules in line with the requirements of the Paris Convention, even though several differences continue to characterize ASEAN Members' respective national legal systems. It also shows that, while ASEAN has not sought a full-scale harmonization, several regional initiatives—in the areas of IP, competition, and consumer law—have been instrumental in promoting legal developments and remain very important to further promote stronger implementation of protection against unfair competition in the region.

## M. AUSTRALIA AND THE SOUTH PACIFIC\*

### 1. Legislative Framework

This report addresses the laws that provide protection against unfair competition in Australia, New Zealand and a selection of South Pacific countries whose laws are based on English law (Fiji, Kiribati, Papua New Guinea, Samoa, the Solomon Islands, Tonga and Vanuatu).

In Australia, New Zealand and the above-mentioned South Pacific countries, protection against unfair competition is available through the common law tort of passing off (1.1). In all countries surveyed other than Papua New Guinea and Vanuatu, protection is separately available through legislation that deals with consumer protection and/or “unfair competition” defined more generally (1.2). There is a complex relationship between the tort of passing off and statutory consumer protection regimes that prohibit traders from engaging in misleading or deceptive conduct (1.3), but under both regimes protection is available in cases involving the use of an affected trader’s indicia only where the affected trader has established a sufficient trading goodwill or reputation (1.4). This is important to understand before considering, in sections 2 and 3 below, the types of act that constitute unfair competition and are specifically prohibited in Australia, New Zealand and the South Pacific.<sup>778</sup> Finally, although protection against unfair competition protection is available beyond passing off type scenarios, Australian courts have resisted developing a new common law tort of unfair competition (1.5).

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<sup>776</sup> For reference and information regarding ASEAN Members' national copyright legislations, see ASEAN Intellectual Property Portal, <https://www.aseanip.org>

<sup>777</sup> For an updated review of national legislations of ASEAN Members, see Thio Tse Gan, Data and Privacy Protection in ASEAN, 2018, <https://www2.deloitte.com/content/dam/Deloitte/sg/Documents/risk/sea-risk-data-privacy-in-asean.pdf>

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<sup>778</sup> In addition to the laws considered in section 3, protection against unfair competition is also available in these countries through a range of other torts, such as defamation, injurious falsehood, and interference with contractual relations, as well as the statutory copyright, design, patent and trade mark regimes.

## 1.1 *Passing off*

The tort of passing off in Australia, New Zealand and in the South Pacific is based on and largely reflects UK law. Courts in the region will be guided by one or both of the two tests for passing off established by the UK House of Lords.<sup>779</sup> The key elements of these tests are that:

- the plaintiff must have a protectable *goodwill or reputation* attached to the goods or services it provides, as reflected in the mark, get-up or other indicia it uses;
- the defendant must have engaged in an act of *misrepresentation* to a substantial number of consumers (for example, in employing a similar sign, get-up or marketing theme to that of the plaintiff, or engaging in practices that falsely suggest commercial association with the plaintiff); and
- the defendant's misrepresentation has caused or is likely to cause *damage* to the plaintiff's goodwill or reputation.<sup>780</sup>

The rationale for the tort is to protect a trader's property in its goodwill from being injured by acts that can be said to constitute misrepresentations to consumers (see section 3), and thereby to prevent "commercial dishonesty".<sup>781</sup>

## 1.2 *Consumer protection and unfair competition statutes*

From the mid-1970s, the tort of passing off has been supplemented in Australia by consumer protection legislation.<sup>782</sup> The current regime is contained in Schedule 2 of the federal Competition and Consumer Act 2010, and is titled the Australian Consumer Law ("ACL").<sup>783</sup> The ACL contains a number of prohibitions against unfair competition. The most important of these is in s 18(1), which provides "[a] person must not, in trade or commerce, engage in conduct that is misleading or deceptive or is likely to mislead or deceive".<sup>784</sup> This provision is wide enough to cover conduct involving the misleading use of signs or get-up in which other traders have developed a reputation. It also extends beyond passing off type situations, covering misleading conduct that does not involve the misuse of another trader's commercial indicia or target other traders directly, such as the making of misleading claims in advertising or on social media, or false claims as to the qualities or characteristics of goods or services.

Notwithstanding the breadth of s 18(1), the ACL contains additional prohibitions on parties engaging in conduct in trade or commerce that is liable to mislead the public as to the nature, characteristics, suitability for purpose or quantity of any goods or services,<sup>785</sup> or as to the manufacturing process of any goods.<sup>786</sup>

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<sup>779</sup> House of Lords, 21 June 1979, *Erven Warnink BV v J Townend & Sons (Hull) Ltd* [1979] AC 731, 742; House of Lords, 8 February 1990, *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491, 499–500.

<sup>780</sup> On the key elements of the passing off action, see, e.g., Federal Court of Australia (Full Court), 14 April 1992, *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 355; New Zealand High Court, 15 July 1992, *Tot Toys Ltd v Mitchell* [1993] 1 NZLR 325, 334; Fiji High Court, 4 June 2018, *Luxury Cosmetics Ltd v Royal Mokosoi Pty Ltd* [2018] FJHC 514, para. 67; Papua New Guinea National Court of Justice, 4 May 2020, *Mara v Bagre Nui* [2020] PGNC 128, para. 4.

<sup>781</sup> High Court of Australia, 5 October 2012, *JT International SA v Commonwealth* (2012) 250 CLR 1, para. 39; Federal Court of Australia (Full Court), 14 April 1992, *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 308, 340-342, 353.

<sup>782</sup> This legislation supplemented a much older statute, the Commerce (Trade Descriptions) Act 1905, section 9 of which prevents the importation of goods to which a false trade description has been applied. A "false" trade description is defined in section 3 as one that is "false or likely to mislead in a material respect as regards the goods to which it is applied".

<sup>783</sup> The ACL operates as federal law by virtue of Part XI of the Competition and Consumer Act 2010 and as state/territory law by virtue of Part XIAA.

<sup>784</sup> Section 18(1) ACL applies as federal law to the extent it covers conduct by corporations and by individuals in a range of "extended" circumstances. See Robert Burrell and Michael Handler, *Australian Trade Mark Law*, Melbourne: 2<sup>nd</sup> ed, Oxford University Press 2016, 459-460.

<sup>785</sup> Sections 33-34 ACL.

<sup>786</sup> Section 33 ACL.



In addition, persons are prevented from making “false or misleading” representations, in connection with the supply or possible supply of goods or services:

- that goods are new,<sup>787</sup> or are of a particular standard, quality, value, grade, composition, style or model, or have had a particular history or particular previous use;<sup>788</sup>
- as to the place of origin of goods;<sup>789</sup>
- that services are of a particular standard, quality, value or grade;<sup>790</sup> or
- that goods or services have sponsorship, approval, performance characteristics, accessories, uses or benefits.<sup>791</sup>

The core goal of these provisions is to set a “norm of conduct”<sup>792</sup> with which traders must comply so as “to protect the public as consumers of goods and services”.<sup>793</sup> Although it has been said that s 18(1) is not directly concerned with “unfairness of competition in trade as between two traders”,<sup>794</sup> this and other prohibitions in the ACL can be enforced by rival traders<sup>795</sup> and, in effect, protect against acts of unfair competition.

Many countries in the region have followed Australia’s lead and have adopted consumer protection statutes containing similar prohibitions on misleading or deceptive conduct in trade or commerce,<sup>796</sup> or conduct that is liable to mislead the public as to the nature, characteristics, etc. of goods or services,<sup>797</sup> or making false or misleading representations as to the qualities, characteristics, place of origin, etc of goods or services.<sup>798</sup>

Tonga is unusual in having two statutes that specifically regulate “unfair competition” in addition to maintaining a tort of passing off and having a general consumer protection statute. First, Tonga’s Industrial Property Act 1994 provides that “[a]ny act of competition contrary to honest practices in industrial or commercial matters shall be unlawful”, deeming the acts set out in Article 10bis(3) PC to be “acts of unfair competition”.<sup>799</sup> Second, Tonga’s Protection Against Unfair Competition Act 2002 provides that “[a]ny person damaged or likely to be damaged by an act of unfair competition within the meaning of this Act shall be entitled to the remedies obtainable under the law of Tonga”.<sup>800</sup>

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<sup>787</sup> Section 29(1)(c) ACL.

<sup>788</sup> Section 29(1)(a) ACL.

<sup>789</sup> Section 29(1)(k) ACL.

<sup>790</sup> Section 29(1)(b) ACL.

<sup>791</sup> Section 29(1)(g) ACL. There is no material difference between “false or misleading” in section 29 ACL and “misleading or deceptive” in section 18 ACL: Federal Court of Australia, 24 June 2009, Australian Competition and Consumer Commission v Dukemaster Pty Ltd [2009] FCA 682, para. 14.

<sup>792</sup> High Court of Australia, 2 December 2004, Butcher v Lachlan Elder Realty Pty Ltd (2004) 218 CLR 592, para. 112.

<sup>793</sup> Federal Court of Australia (Full Court), 16 December 1980, McWilliam’s Wines Pty Ltd v McDonald’s System of Australia Pty Ltd (1980) 33 ALR 394, 405.

<sup>794</sup> High Court of Australia, 19 April 1978, Hornsby Building Information Centre Pty Ltd v Sydney Building Information Centre Ltd (1978) 140 CLR 216, 227.

<sup>795</sup> Section 232(2) ACL (any person may apply for an injunction); Section 236(1) ACL (person who suffers loss or damage from contravention of the ACL may recover damages). Conduct that would contravene section 29(1) ACL is also a strict liability offence: Section 151(1) ACL.

<sup>796</sup> Section 9 New Zealand Fair Trading Act 1986 (“NZ FTA”); Section 24 Solomon Islands Consumer Protection Act 1995 (“Solomon Islands CPA”); Section 22 Tongan Consumer Protection Act 2000 (“Tongan CPA”); Section 20 Kiribati Consumer Protection Act 2001 (“Kiribati CPA”); Section 75 Fijian Competition and Consumer Act 2010 (“Fijian CCA”); Section 55 Samoan Competition and Consumer Act 2016.

<sup>797</sup> Sections 10-11 NZ FTA; Section 30 Solomon Islands CPA; Section 28 Tongan CPA (services only); Section 22 Kiribati CPA (services only); Sections 80, 83 and 84 Fijian CCA.

<sup>798</sup> Section 13 NZ FTA; Section 25 Solomon Islands CPA; Section 23 Tongan CPA; Section 77 Fijian CCA.

<sup>799</sup> Section 34 Tongan Industrial Property Act 1994.

<sup>800</sup> Section 4(2) Tongan Protection Against Unfair Competition Act 2002 (“Tongan PAUCA”).

The Act stipulates that various acts will constitute acts of unfair competition, including:

- causing confusion with respect to another's enterprise;<sup>801</sup>
- damaging another's goodwill or reputation (including via the dilution of goodwill);<sup>802</sup>
- misleading the public;<sup>803</sup> and
- discrediting another's enterprise.<sup>804</sup>

### 1.3 *The relationship between passing off and statutory consumer protection regimes*

Since the passage of consumer protection legislation in Australia in the mid-1970s, a difficult question has been working out how the statutory prohibition against engaging in "misleading or deceptive conduct" and the tort of passing off – which are routinely pleaded together and clearly overlap – relate to one another. At times, Australian courts have sought to emphasise the differences between the actions, noting that they have distinct origins and contrasting purposes – specifically, that passing off is designed to protect a trader's goodwill, while the statutory action is designed to protect consumers.<sup>805</sup> Courts have also warned against the "indiscriminate importation" of principles from passing off into the statutory action,<sup>806</sup> and suggested that the statutory action "provides the public with wider protection from deception than the common law".<sup>807</sup> However, in application, Australian courts tend to treat the tort of passing off and the statutory action as having a largely merged operation, and have relied on principles and limitations developed by courts in passing off cases to inform the scope of the broadly-worded statutory action, leaving only relatively minor differences between them.<sup>808</sup> This also appears to reflect the position in New Zealand.<sup>809</sup> The willingness of Australian courts to adopt this merged approach has been welcomed by commentators.<sup>810</sup>

### 1.4 *Goodwill or reputation as a "threshold" requirement in passing off and associated consumer protection actions*

The clearest example of this merged approach is in the Australian courts' explicit recognition that in a passing off action and a related action brought by an affected trader for contravention of the statutory prohibition on engaging in "misleading or deceptive conduct" by the use of a sign or symbol associated with the affected trader, that party will only succeed under either cause of action where it can show a sufficient reputation or goodwill.<sup>811</sup> This is the case even though such a requirement is not contained in the text of the statutory prohibition.

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<sup>801</sup> Section 5 Tongan PAUCA.

<sup>802</sup> Section 6 Tongan PAUCA. "Dilution of goodwill or reputation" is defined in s 3 to mean "the lessening of the distinctive character or advertising value of a trademark, trade name or other business identifier, the appearance of a product or the presentation of products or services or of a celebrity or well-known fictional character".

<sup>803</sup> Section 7 Tongan PAUCA.

<sup>804</sup> Section 8 Tongan PAUCA. Also included is any other "act or practice in the course of industrial or commercial activities that is contrary to honest commercial practices": section 4(1).

<sup>805</sup> See, e.g., Federal Court of Australia (Full Court), 23 August 1982, *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177, 197; Federal Court of Australia (Full Court), 21 May 2007, *Cadbury Schweppes Pty Ltd v Darrell Lea Chocolate Shops Pty Ltd* (2007) 159 FCR 397, para. 98. See also New Zealand Court of Appeal, 13 May 1998, *Neumegen v Neumegen & Co* [1998] 3 NZLR 310, 325.

<sup>806</sup> Federal Court of Australia (Full Court), 23 August 1982, *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 42 ALR 177, 197. See also New Zealand Court of Appeal, 4 March 1988, *Taylor Bros Ltd v Taylor Group Ltd* [1988] 2 NZLR 1.

<sup>807</sup> High Court of Australia, 11 August 1982, *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191, 205.

<sup>808</sup> On the key differences, see Burrell and Handler, *Australian Trade Mark Law*, at 505-513.

<sup>809</sup> Paul Sumpter, *Intellectual Property Law: Principles in Practice*, Auckland: 3<sup>rd</sup> ed, CCH New Zealand 2017, 271-274.

<sup>810</sup> Jill McKeough et al, *Intellectual Property in Australia*, Sydney: 3<sup>rd</sup> ed, LexisNexis Butterworths 2004, 455; Burrell and Handler, *Australian Trade Mark Law*, at 462-464, 505-534. For a more critical perspective from New Zealand, see J.C. Lai and S.I. Becher, "Protecting Consumer Protection", *Victoria University of Wellington Law Review* 49 (2018), 259.

In Australia, New Zealand and throughout the South Pacific it is possible to establish goodwill or reputation in a wide range of indicia beyond inherently distinctive trade signs. These include descriptive brand names,<sup>812</sup> packaging design,<sup>813</sup> colour schemes,<sup>814</sup> the overall appearance of goods,<sup>815</sup> fictional characters,<sup>816</sup> celebrity images<sup>817</sup> and marketing themes.<sup>818</sup> However, establishing reputation in such indicia will likely require compelling evidence of widespread consumer recognition.

In Australia, “goodwill” and “reputation” are used interchangeably.<sup>819</sup> The effect of this is that broader unfair competition protection is available for foreign traders in Australia than for foreign traders in the UK. Whereas the UK has maintained a strict requirement of local goodwill to bring a passing off action, which requires a foreign plaintiff to have engaged in trade within the UK,<sup>820</sup> in Australia it is sufficient if a foreign trader has a “spill-over” reputation amongst those in Australia of “sufficient degree to establish that there is a likelihood of deception among ... potential consumers and of damage to [the trader’s] reputation”.<sup>821</sup> In New Zealand, it has been recognised that Australia and New Zealand might constitute one market for the purposes of determining whether a trader has sufficient goodwill to enable it to bring a passing off action.<sup>822</sup> In Fiji, on the other hand, it appears that courts are likely to follow the UK’s approach and maintain a requirement of local trading goodwill.<sup>823</sup>

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<sup>811</sup> Federal Court of Australia, 12 December 1989, *Equity Access Pty Ltd v Westpac Banking Group* (1989) 16 IPR 431, 441; Federal Court of Australia, 5 June 2009, *Mars Australia Pty Ltd v Sweet Rewards Pty Ltd* (2009) 81 IPR 354, para. 22.

<sup>812</sup> See, e.g., Federal Court of Australia (Full Court), 30 September 1994, *Apand Pty Ltd v The Kettle Chip Co Pty Ltd* (1994) 52 FCR 474 (“Kettle” for kettle-cooked potato crisps); High Court of New Zealand, 21 November 1983, *Shotover Gorge Jet Boats Ltd v Marine Enterprises Ltd* [1984] 2 NZLR 154 (“Shotover Jet” for a jet boat business operating in the Shotover Canyon); Fiji Court of Appeal, 26 November 2004, *Natural Waters of Viti Ltd v Crystal Clear Mineral Water (Fiji) Ltd* [2004] FLR 545 (“Fiji” for Fijian bottled water).

<sup>813</sup> See, e.g., Federal Court of Australia (Full Court), 4 June 2002, *Sydneywide Distributors Pty Ltd v Red Bull Australia Pty Ltd* (2002) 55 IPR 354 (get-up of Red Bull cans); Tongan Court of Appeal, 7 August 1998, *Nestle (Fiji) Ltd v Tonga Cooperative Federation* [1998] Tonga LR 120 (packaging and labelling of snack foods); Fiji High Court, 7 October 2003, *Vo-Ko Industries Ltd v Fish Cannery (Fiji) Ltd* [2003] FJHC 295 (get-up of canned fish products).

<sup>814</sup> See, e.g., Federal Court of Australia, 30 May 2014, *Telstra Corporation Ltd v Phone Directories Co Pty Ltd* (2014) 107 IPR 333 (yellow for classified phone directories); New Zealand High Court, 20 November 1997, *Tui Foods Ltd v New Zealand Milk Corporation Ltd* [1997] 2 NZLR 214 (yellow caps on milk bottles); Papua New Guinea National Court of Justice, 4 May 2020, *Mara v Bagre Nui* [2020] PGNC 128 (taxi livery).

<sup>815</sup> See, e.g., Federal Court of Australia (Full Court), 5 August 2011, *Peter Bodum A/S v DKSH Australia Pty Ltd* (2011) 92 IPR 222 (shape of a French press coffee plunger); New Zealand High Court, 15 July 1992, *Tot Toys Ltd v Mitchell* [1993] 1 NZLR 325 (“bee” shape of a children’s toy).

<sup>816</sup> See, e.g., Federal Court of Australia (Full Court), 25 May 1989, *Pacific Dunlop Ltd v Hogan* (1989) 23 FCR 533 (“Crocodile Dundee” character).

<sup>817</sup> See, e.g., Queensland Court of Appeal, 25 October 1996, *Talmax Pty Ltd v Telstra Corp Ltd* [1997] 2 Qd R 444 (image of Australian Olympic swimmer Kieren Perkins).

<sup>818</sup> Privy Council, 13 October 1980, *Cadbury Schweppes Pty Ltd v Pub Squash Co Pty Ltd* [1980] 2 NSWLR 851 (accepting this in principle).

<sup>819</sup> Federal Court of Australia (Full Court), 14 April 1992, *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 340.

<sup>820</sup> U.K. Supreme Court, 13 May 2015, *Starbucks (HK) Ltd v British Sky Broadcasting Group Plc* [2015] 1 WLR 2628.

<sup>821</sup> Federal Court of Australia (Full Court), 14 April 1992, *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 341-342, 353. The plaintiff does not need to intend to commence trading in Australia: Federal Court of Australia (Full Court), 7 June 2013, *Knott Investments Pty Ltd v Winnebago Industries Inc* (2013) 211 FCR 449, para. 14. For critical analysis of the UK and Australian positions, see Catherine W. Ng, *Goodwill in Passing Off: A Common Law Perspective*, Cheltenham, UK: Edward Elgar 2021, 70-80, 219-220.

<sup>822</sup> New Zealand Court of Appeal, 27 March 1987, *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395, 406; New Zealand High Court, 28 June 2013, *Muzz Buzz Franchising Pty Ltd v JB Holdings (2010) Ltd* [2013] NZHC 1599, para. 74. See generally Graeme W. Austin, “The Consumer in Cross-Border Passing Off Cases”, *Victoria University of Wellington Law Review* 47 (2016), 209.

<sup>823</sup> Fiji High Court, 4 June 2018, *Luxury Cosmetics Ltd v Royal Mokosoi Pty Ltd* [2018] FJHC 514, paras. 58, 65. This may also be the case in Tonga: Tongan Supreme Court, 8 October 2015, *Leiola Group Ltd v Aho* [2015] TOSC 44, para. 15.

As a related point, it is possible in Australia for an affected party to bring an action for both passing off and breach of the prohibition on engaging in misleading or deceptive conduct after that party has ceased trading, provided that the party has a residual reputation amongst consumers.<sup>824</sup>

### 1.5 *No tort of unfair competition*

As indicated in section 1.2 above, the breadth of the statutory consumer protection regimes in the region mean that protection is available against acts of unfair competition that extend beyond passing off type situations. However, it is important to note that the High Court of Australia has resisted calls for the adoption of a common law tort of unfair competition to plug any perceived gaps left by the passing off action and consumer protection and intellectual property legislation. In *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* it was said that:

The rejection of a general action for “unfair competition” involves no more than a recognition of the fact that the existence of such an action is inconsistent with the established limits of the traditional and statutory causes of action which are available to a trader in respect of damage caused or threatened by a competitor. Those limits, which define the boundary between the area of legal or equitable restraint and protection and the area of untrammelled competition, increasingly reflect what the responsible ... Parliaments have determined to be the appropriate balance between competing claims and policies.<sup>825</sup>

This statement is also thought to represent the law in New Zealand.<sup>826</sup>

## 2. Honest Practices in Industrial or Commercial Matters

Apart from Tonga (whose laws are set out in 1.2), no surveyed country in the South Pacific, or Australia or New Zealand, refers specifically to acts that are “contrary to honest practices in industrial or commercial matters” in their laws prohibiting unfair competition. Instead, these countries give effect to their obligation under Article 10bis(2) PC through the requirements that are embedded in their torts of passing off and/or their statutes that deal with consumer protection and/or unfair competition defined more generally.

In all countries, the obligation to prevent acts that are “contrary to honest practices” is met through the requirement in the tort of passing off that the defendant engage in a “misrepresentation” that is likely to damage the plaintiff’s reputation or goodwill. It is this requirement that effectively makes the tort one that seeks to prevent what Australian judges have described as “commercial dishonesty”.<sup>827</sup> The corollary of this is that conduct that does not mislead consumers will not be prohibited, since the tort is not designed to “enter the field of honest competition”.<sup>828</sup> Similarly, the prohibitions in consumer protection legislation on parties engaging in “misleading or deceptive conduct” in trade or commerce, or making “false or

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<sup>824</sup> Victorian Supreme Court, 16 August 1956, *Ballarat Products Ltd v Farmers Smallgoods Co Pty Ltd* [1957] VR 104; Federal Court of Australia (Full Court), 15 November 2000, *Mark Foys Pty Ltd v TVSN (Pacific) Ltd* (2000) 104 FCR 61.

<sup>825</sup> High Court of Australia, 22 November 1984, *Moorgate Tobacco Co Ltd v Philip Morris Ltd [No 2]* (1984) 156 CLR 414, 445-446.

<sup>826</sup> Sumpter, *Intellectual Property Law*, at 283. See also Papua New Guinea National Court of Justice, 11 April 1978, *CBS Inc v Ranu Investments* [1978] PNGLR 66 (recognising that adopting a tort of unfair competition would extend the law, but leaving the matter open).

<sup>827</sup> High Court of Australia, 5 October 2012, *JT International SA v Commonwealth* (2012) 250 CLR 1, para. 39; Federal Court of Australia (Full Court), 14 April 1992, *ConAgra Inc v McCain Foods (Aust) Pty Ltd* (1992) 33 FCR 302, 308, 340-342, 353.

<sup>828</sup> High Court of England and Wales, 20 July 1994, *Hodgkinson & Corby Ltd v Wards Mobility Services Ltd* [1995] FSR 169, 175.

misleading representations” in connection with the supply of goods or services, are designed to give effect to a “moral standard”,<sup>829</sup> with commercial conduct falling outside the scope of these statutory prohibitions considered to be acceptable.

In other words, an act of “appropriation” is not, for that reason alone, considered to be contrary to honest commercial practices in Australia, New Zealand or other countries in the region with similar laws. Conduct that involves a defendant “slavishly copying” something in which the plaintiff has built up a commercially valuable reputation (for example, through an act of product simulation, or the use of indicia such as a fictional character, celebrity image or advertising theme) is not considered to be an inherently “dishonest” practice. Rather, such conduct only violates a legal norm of commercial conduct where consumers would be misled as to the existence of a sufficient trade connection with the plaintiff (for example, that the plaintiff has provided, or has sponsored or has some commercial affiliation with, the defendant’s goods or services).<sup>830</sup>

Having said this, there are at least two ways in which “honesty” has a more direct role to play in the passing off action in Australia and New Zealand. First, it has long been recognised that although an intention to deceive is not a necessary requirement of the action, where such an intention exists it can be more readily inferred that such an intention has been effective, making a finding of a misrepresentation more likely.<sup>831</sup> Secondly, in cases where a business has commenced trading honestly, that business will, once it has been trading for a significant period of time and has managed to build up a valuable reputation in its own right, be immunised against a claim by a prior user with a reputation in a similar mark or get-up.<sup>832</sup>

### 3. Implementation of Specifically Prohibited Acts

#### 3.1 *Laws that give effect to Article 10bis(3), Nos. 1 and 3, PC*

As indicated in sections 1 and 2, both the tort of passing off and the coextensive statutory prohibitions on engaging in “misleading or deceptive conduct” have, at their heart, a requirement of a likelihood of consumers being *misled* by the defendant as to some form of trade connection with the plaintiff. In considering whether a defendant’s conduct constitutes a misrepresentation or misleading or deceptive conduct in such cases, courts will consider the extent of the plaintiff’s reputation, the full context of the defendant’s use of any relevant signs, get-up or other indicia, the nature of the parties’ goods or services and how they are offered to the public, and the characteristics of typical consumers of those goods or services. Courts may also take into account evidence from those with expertise in marketing or consumer psychology, survey evidence, and evidence from individuals who claim to have been misled.<sup>833</sup>

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<sup>829</sup> Russell V. Miller, *Miller’s Australian Competition and Consumer Law Annotated*, Sydney: 43<sup>rd</sup> ed, Thomson Reuters 2021, para 18.20.

<sup>830</sup> It also follows that even if a defendant can show that its conduct was not intended to mislead, and that it believed its conduct was honest and reasonable, the defendant might nevertheless contravene the ACL if its conduct did, or was likely to, mislead: High Court of Australia, 11 August 1982, *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191, 197.

<sup>831</sup> High Court of Australia, 2 September 1937, *Australian Woollen Mills Ltd v FS Walton & Co Ltd* (1937) 58 CLR 641, 657; Federal Court of Australia (Full Court), 21 July 1989, *Telmak Teleproducts (Australia) Pty Ltd v Coles Myer Ltd* (1988) 84 ALR 437, 445; New Zealand Court of Appeal, 18 October 1927, *Black and White Cabs Ltd v McEneaney* [1927] NZLR 862; New Zealand Court of Appeal, 27 March 2013, *NZ Tax Refunds Ltd v Brooks Homes Ltd* [2013] NZCA 90, paras 17, 32.

<sup>832</sup> Federal Court of Australia (Full Court), 28 November 2007, *Colorado Group Ltd v Strandbags Group Pty Ltd* (2007) 164 FCR 506, para. 221. On actions under the ACL, see Burrell and Handler, *Australian Trade Mark Law*, at 517-518, 526-527.

<sup>833</sup> See Burrell and Handler, *Australian Trade Mark Law*, at 484-487.

Under both causes of action, courts in Australia and New Zealand have stated that conduct that causes “mere confusion”, in the sense of wonderment as to whether two products come from the same source, will not be sufficient,<sup>834</sup> even though it can be useful evidence from which a likelihood of deception can be inferred.<sup>835</sup> For passing off, the plaintiff must show that a “substantial number” of consumers have been or are likely to be misled by the defendant’s conduct.<sup>836</sup> For actions under the consumer protection regime it has been held that liability turns on the likely reactions of a hypothetical “ordinary” or “reasonable” member of the class of consumers to whom the representation has been made, disregarding those reactions that might be regarded as “extreme or fanciful”.<sup>837</sup> There is no requirement that a particular proportion of that class of consumers (such as a “substantial” or “not insignificant” number of consumers) must be misled.<sup>838</sup>

Courts in the region have recognised various types of misrepresentation, or conduct that will be misleading or deceptive, involving the use of signs or other indicia in relation to which the plaintiff has a reputation. The most common type is a misrepresentation as to origin: that is, where the defendant falsely represents that its goods or services *are* those of the plaintiff’s.<sup>839</sup> In the same way that it is often challenging for plaintiffs to show that they have a sufficient reputation in descriptive words or non-textual indicia, such as get-up or product shape, it can be difficult for plaintiffs to make out a case that a defendant’s use of such signs or indicia is misleading,<sup>840</sup> especially when those signs or indicia are used for their descriptive properties and in conjunction with other branding.<sup>841</sup> Where defendants have used descriptive signs

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<sup>834</sup> High Court of Australia, 11 August 1982, *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191, 198, 210; New Zealand Court of Appeal, 19 September 2002, *Anheuser Busch Inc v Budweiser Budvar National Corporation* [2003] 1 NZLR 472, para. 130.

<sup>835</sup> Federal Court of Australia (Full Court), 21 July 1989, *Telmak Teleproducts (Australia) Pty Ltd v Coles Myer Ltd* (1988) 84 ALR 437, 448.

<sup>836</sup> See House of Lords, 2 April 1941, *Saville Perfumery Ltd v June Perfect Ltd* (1941) 58 RPC 147.

<sup>837</sup> High Court of Australia, 9 March 2000, *Campomar Sociedad Limitada v Nike International Ltd* (2000) 202 CLR 45, paras 101-105; High Court of Australia, 6 February 2013, *Google Inc v Australian Competition and Consumer Commission* (2013) 249 CLR 435, para. 7. See also New Zealand Court of Appeal, 16 December 2015, *Tasman Insulation New Zealand Ltd v Knauf Insulation Ltd* [2016] 3 NZLR 145, para. 225 (adopting the approach taken in Australia in *Campomar*).

<sup>838</sup> Federal Court of Australia (Full Court), 30 July 2020, *Australian Competition and Consumer Commission v TPG Internet Pty Ltd* (2020) 278 FCR 450, paras 23-24.

<sup>839</sup> A modern example involves keyword advertising, where defendants purchase a term in which the plaintiff has a reputation and display that term in their advertisements in a manner that falsely suggests that the advertisement is connected with the plaintiff’s goods or services. See, e.g., Federal Court of Australia, 22 September 2011, *Australian Competition and Consumer Commission v Trading Post Australia Pty Ltd* (2011) 197 FCR 498; New Zealand High Court, 12 February 2014, *InterCity Group (NZ) Ltd v Nakedbus NZ Ltd* [2014] 3 NZLR 177.

<sup>840</sup> In this context, courts will often give weight to minor differences between the plaintiff’s and defendant’s signs: see, e.g., Federal Court of Australia, 7 June 2013, *REA Group Ltd v Real Estate 1 Ltd* (2013) 217 FCR 327 (owner of well-known “realestate.com.au” website unable to restrain the use of “realestate1.com.au” in search results and sponsored links, on the basis that consumers would notice the “1” and think that the defendant’s site was in competition with the plaintiff rather than being a brand extension). For examples of successful actions, see New Zealand Supreme Court, 11 March 1976, *New Zealand Insurance Ltd v New Zealand Insurance Brokers Ltd* [1976] 2 NZLR 40 (restraining the use of “New Zealand Insurance” and “NZIB” in light of the plaintiff’s extensive reputation in the name “New Zealand Insurance” and the acronym “NZI”); Tongan Court of Appeal, 7 August 1998, *Nestle (Fiji) Ltd v Tonga Cooperative Federation* [1998] Tonga LR 120 (interlocutory injunction granted to restrain the defendant from selling its snack foods using similar packaging and labelling to the plaintiff); Papua New Guinea National Court of Justice, 4 May 2020, *Mara v Bagre Nui* [2020] PGNC 128 (defendant’s use of similar taxi livery to the plaintiff’s constituted a misrepresentation).

<sup>841</sup> See, e.g., Federal Court of Australia (Full Court), 15 February 1996, *Pepsico Australia Pty Ltd v Kettle Chip Co Pty Ltd* (1996) 33 IPR 161 (maker of “Kettle” potato crisps unable to restrain the defendant’s use of “Kettle Cooked” on its crisps, taking into account that the defendant had prominently displayed its “Thins” brand on its packaging); Federal Court of Australia, 16 April 1999, *Dr Martens Australia Pty Ltd v Figgins Holdings Pty Ltd* (1999) 44 IPR 281 (makers of Doc Martens shoes unable to restrain the sale of shoes of similar appearance where the defendant had adopted different brand names for its shoes). In contrast, see Federal Court of Australia (Full Court), 5 August 2011, *Peter Bodum A/S v DKSH Australia Pty Ltd* (2011) 92 IPR 222 (maker of coffee plunger able to restrain the defendant’s sale of a similarly-shaped coffee plunger, with the court considering that the defendant’s “Euroline” mark was not sufficiently prominent and would not be considered by consumers to be a brand name); Fiji High Court, 9 March 2007, *Rewa Co-op Dairy Co Ltd v Eagle Ridge Investment (Fiji) Ltd* [2007] FLR 127 (defendant’s

associated with the plaintiff to generate internet search results to divert consumers towards the defendant's websites, courts in Australia and New Zealand have been reluctant to accept that such conduct – even though it might create a form of initial interest confusion – amounts to a misrepresentation or misleading or deceptive conduct.<sup>842</sup>

Another type of misrepresentation that has been recognised is a misrepresentation as to quality. This might arise where the defendant is selling the plaintiff's actual goods, but misrepresents their qualities or characteristics (for example, in advertising a superseded line of goods as a new line<sup>843</sup>). It might also arise where the defendant is using a geographical indication in which a number of parties have "collective" goodwill, but where the defendant's goods do not come from the place identified and do not have the qualities or characteristics associated with that geographical indication.<sup>844</sup>

A further type of misrepresentation is that the defendant's goods or services are sponsored or endorsed by, or are otherwise affiliated with, the plaintiff. In this context Australian courts have long eschewed any requirement that the plaintiff and defendant must be engaged in a "common field of activity".<sup>845</sup> This has enabled plaintiffs to bring successful actions to prevent: the sale of unauthorised merchandise featuring images or characters associated with the plaintiff;<sup>846</sup> the use of a fictional character or the atmospherics of an advertising campaign in an unrelated promotional context;<sup>847</sup> the use of a celebrity's image in a manner that suggests that the celebrity has given his or her endorsement to the defendant's unrelated goods or services;<sup>848</sup> and even the use of a celebrity likeness or fictitious character, divorced from the commercial context in which that image or character is normally employed, to advertise or sell the defendant's non-competing goods or services.<sup>849</sup>

While the breadth of some of the Australian findings on fictional character merchandising has been criticised in New Zealand,<sup>850</sup> courts there have shown a willingness to prevent the use of celebrity images in unauthorised commercial contexts through their consumer protection statute.<sup>851</sup>

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prominent use of "full cream long Life Milk" on its packaging misrepresented a connection with the plaintiff's "Life" brand milk).

<sup>842</sup> See, e.g., Federal Court of Australia (Full Court), 21 July 2014, *Kosciuszko Thredbo Pty Ltd v ThredboNet Marketing Pty Ltd* (2014) 223 FCR 517, para. 48; New Zealand High Court, 31 July 2017, *National Mini Storage Ltd v National Storage Ltd* [2017] NZHC 1775, paras 91-92.

<sup>843</sup> House of Lords, 9 June 1915, *AG Spalding & Bros v AW Gamage Ltd* (1915) 32 RPC 273.

<sup>844</sup> See, e.g., New Zealand Court of Appeal, 5 December 1991, *Wineworths Group Ltd v Comite Interprofessionel du Vin de Champagne* [1992] 2 NZLR 327 (sale of Australian "champagne" restrained as in breach of section 9 NZ FTA). This is one way in which countries in the region give effect to Art 22.2 TRIPS.

<sup>845</sup> New South Wales Supreme Court, 14 June 1960, *Radio Corporation Pty Ltd v Henderson* [1960] NSW 279.

<sup>846</sup> See, e.g., Federal Court of Australia, 17 May 1996, *Twentieth Century Fox Film Corporation v South Australian Brewing Co Ltd* (1996) 66 FCR 451 (producers of "The Simpsons" able to restrain the sale of unauthorised "Duff" beer).

<sup>847</sup> See, e.g., Federal Court of Australia, 1 August 2003, *Telstra Corporation Ltd v Royal & Sun Alliance Insurance Australia Ltd* (2003) 57 IPR 453 (business whose well-known television advertisements featured a character known as "Mr Goggmobil" able to restrain an advertisement featuring the same actor playing the Mr Goggmobil character in a similar context to the original advertisement).

<sup>848</sup> See, e.g., Queensland Court of Appeal, 25 October 1996, *Talmax Pty Ltd v Telstra Corp Ltd* [1997] 2 Qd R 444 (use of image of Australian Olympic swimmer in an unauthorised promotional context). Cf. Federal Court of Australia, 29 May 1986, *Newton-John v Scholl-Plough (Australia) Ltd* (1986) 11 FCR 233 (use of an actor who resembled entertainer Olivia Newton-John in a cosmetics advertisement, with the tag-line "Olivia? No, it's Maybelline", held not to misrepresent that the advertisement had been authorised by Newton-John).

<sup>849</sup> See, e.g., Federal Court of Australia (Full Court), 25 May 1989, *Pacific Dunlop Ltd v Hogan* (1989) 23 FCR 533 (allusion to "Crocodile Dundee" character and a well-known scene from the movie "Crocodile Dundee" in the defendant's advertisement for shoes held to be misleading, since the defendant's conduct was considered to have had some likely impact on the purchasing behaviour of its consumers).

<sup>850</sup> See, e.g., New Zealand High Court, 15 July 1992, *Tot Toys Ltd v Mitchell* [1993] 1 NZLR 325, 362-363.

<sup>851</sup> New Zealand High Court, 2 October 2001, *New Zealand Rugby Football Union v Saint Publishing Ltd*, unreported, HC Auckland M1458/01 (restraining the use of an image of a New Zealand rugby player in an unauthorised commercial context).

In none of the countries surveyed is protection available against the mere “evocation” of a competitor’s products that does not mislead or deceive consumers in one of the ways outlined above.

Finally, as noted in section 1.2, Australia, New Zealand and a number of other South Pacific countries have additional prohibitions in their consumer protection statutes on the making of false or misleading representations in trade or commerce as to the qualities, characteristics, place of origin and sponsorship of goods or services, and on conduct that is liable to mislead the public as to the nature, characteristics, suitability for purpose, quantity or manufacturing process of goods and/or services. There is, however, little independent case law on these additional prohibitions. This is primarily because a finding that a party has engaged in “misleading or deceptive conduct” in trade or commerce will inevitably result in a finding of a contravention of one of the more specific additional prohibitions on making “false or misleading” representations,<sup>852</sup> and will be easier to establish than a finding that conduct is “liable to mislead” the public, which requires “an actual probability that the public would be misled” by the defendant’s conduct.<sup>853</sup>

### 3.2 *Laws that give effect to Article 10bis(3), No. 2, PC*

The general statutory prohibition on engaging in misleading or deceptive conduct also provides a means for affected traders to protect against the disparagement of their goods or business.<sup>854</sup> One area where this prohibition has a particularly important role to play in preventing parties from “discrediting” the goods or business of their competitors is in the field of comparative advertising. Comparative advertising is not considered to be an “inherently disreputable form of commercial conduct” in Australia and New Zealand, and provided that an advertiser’s “factual assertions are not untrue, or misleading half-truths, an advertiser can lawfully compare a particular aspect of its product or service favourably with the same aspect of a competitor’s product or service”.<sup>855</sup> The focus is very much on the accuracy of the defendant’s claims, and it has been held that where a defendant “not only boosts [its] own product but [also] compares it critically with the product of another so that the latter is shown up in an unfavourable light by the comparison, [the defendant] ought to take particular care to ensure that the statements are correct”<sup>856</sup> to avoid a possible finding that it has engaged in misleading or deceptive conduct.

## 4. Additional Acts of Unfair Competition

Australia, New Zealand and the other South Pacific countries surveyed all provide protection against types of unfair competition other than those specified in Article 10bis PC. This follows from the breadth of the statutory concept of “misleading and deceptive conduct”, which can potentially cover novel commercial and marketing practices using new forms of technology. For example, in Australia it has recently been held that a health booking platform contravened s 18(1) ACL by failing to disclose its withholding of negative patient reviews and its sharing of

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<sup>852</sup> Federal Court of Australia, 30 May 2014, *Telstra Corporation Ltd v Phone Directories Co Pty Ltd* (2014) 107 IPR 333, para. 389.

<sup>853</sup> Federal Court of Australia, 18 June 2014, *Australian Competition and Consumer Commission v Coles Supermarkets Australia Pty Ltd* (2014) 317 ALR 73, para. 44.

<sup>854</sup> It provides a more useful means than the tort of injurious falsehood, which requires the publication of a statement about a plaintiff’s business or goods that is both false and malicious, and which causes actual damage to the plaintiff: see, e.g., High Court of Australia, 6 December 2001, *Palmer-Bruyn & Parker Pty Ltd v Parsons* (2001) 208 CLR 388, para. 52.

<sup>855</sup> Federal Court of Australia (Full Court), 26 July 2002, *Gillette Australia Pty Ltd v Energiser Australia Pty Ltd* (2002) 193 ALR 629, paras. 20, 22.

<sup>856</sup> Federal Court of Australia, 8 October 1981, *Stuart Alexander & Co (Interstate) Pty Ltd v Blenders Pty Ltd* (1981) 37 ALR 161, 163.



patient information with insurance brokers,<sup>857</sup> and that Google contravened s 18(1) ACL by collecting location data from users of Android devices who had turned off their “Location History” settings.<sup>858</sup>

In addition to their consumer protection regimes, Australia and New Zealand have in place specific legislation to safeguard against “ambush marketing”. In Australia, the Major Sporting Events (Indicia and Images) Act 2014 proscribes, for a limited “protection period”, the unauthorised commercial use on goods or services of protected indicia or images associated with a specified event that would suggest to a reasonable person the existence of a sponsorship or commercial arrangement with the event.<sup>859</sup> Notably, it is presumed that use for the primary purpose of advertising, promoting, or enhancing the demand for the goods or services is sufficient to suggest the existence of such an arrangement.<sup>860</sup> In New Zealand, the Major Events Management Act 2007 goes further. It allows for the declaration of a “major event” and “major event emblems and words”<sup>861</sup> and travels beyond traditional passing off and consumer protection standards in prohibiting representations that suggest that there is an “association” between the major event and certain goods or services or a person,<sup>862</sup> with a presumption of breach where the representation uses a major event word or emblem or close variation, even if disclaimers are employed.<sup>863</sup> The Act also restricts unauthorised advertising and street trading in or near certain “clean zones” and on “clean transport routes”.<sup>864</sup>

Finally, all countries in the region provide protection against the misuse of trade secrets.<sup>865</sup> This protection is primarily available through express or implied terms of contracts, or through the equitable action for breach of confidence.<sup>866</sup> This action does not recognise a property right in trade secrets as such.<sup>867</sup> Rather, an action for breach of confidence will be available where information that can be identified with sufficient specificity, and that has the necessary quality of confidence about it, has been received in circumstances importing an obligation of confidence, and where there is an actual or threatened misuse of that information.<sup>868</sup> In the employment context, Australian courts have sought to draw a distinction between specific trade secrets that cannot lawfully be used except for the employer’s benefit (and which must therefore be kept secret after the employee leaves his or her employment) and information that an employee must treat as confidential until the termination of his or her employment, but which, once learned, remains with the employee and becomes part of his or her skill and knowledge and can be freely used post-employment.<sup>869</sup> Notably, some South Pacific countries provide statutory protection for trade secrets. In both Tonga and Vanuatu, the misuse of trade

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<sup>857</sup> Federal Court of Australia, 20 August 2020, *Australian Competition and Consumer Commission v HealthEngine Pty Ltd* [2020] FCA 1203.

<sup>858</sup> Federal Court of Australia, 16 April 2021, *Australian Competition and Consumer Commission v Google LLC (No 2)* [2021] FCA 367.

<sup>859</sup> Section 16(1) Australian Major Sporting Events (Indicia and Images) Act 2014. The Act is designed so that new “major events” can be added over time.

<sup>860</sup> Section 13 Australian Major Sporting Events (Indicia and Images) Act 2014.

<sup>861</sup> Sections 7-8 New Zealand Major Events Management Act 2007 (“NZ MEMA”).

<sup>862</sup> Section 10 NZ MEMA.

<sup>863</sup> Section 11 NZ MEMA.

<sup>864</sup> Sections 17-20 NZ MEMA. For critique, see Louise Longdin, “Public Law Solutions to Private Law Problems: Major Event Regulation Subverts IP’s Internal Balance”, *Journal of Intellectual Property Law and Practice* 4 (2009), 726.

<sup>865</sup> In doing so, they also give effect to Art 39 TRIPS.

<sup>866</sup> New South Wales Supreme Court, 3 May 2002, *AG Australia Holdings Ltd v Burton* (2002) 58 NSWLR 464, paras 73-75.

<sup>867</sup> High Court of Australia, 24 May 2007, *Farah Constructions Pty Ltd v Say-Dee Pty Ltd* (2007) 230 CLR 89, para. 118.

<sup>868</sup> Federal Court of Australia (Full Court), 4 March 2010, *Optus Networks Pty Ltd v Telstra Corporation Ltd* (2010) 265 ALR 281, para. 39; New Zealand Court of Appeal, 2 May 1978, *AB Consolidated Ltd v Europe Strength Food Co Pty Ltd* [1978] 2 NZLR 515.

<sup>869</sup> New South Wales Supreme Court of Appeal, 6 March 1991, *Wright v Gasweld Pty Ltd* (1991) 22 NSWLR 317, 339.

secrets can be protected by an injunction or compensated by an award of damages,<sup>870</sup> while in Samoa, a person commits a criminal offence if he or she “dishonestly takes, obtains, or copies any document or any model or other depiction of anything or process containing or embodying any trade secret, knowing that it contains or embodies a trade secret”.<sup>871</sup>

## N. COMMUNITY OF INDEPENDENT STATES (CIS)\*

### 1. Legislative Framework

Following the international standards set in the PC and the WTO Agreements, in particular the TRIPS Agreement,<sup>872</sup> two main legal sources set common standards on unfair competition at the regional level for current members of the Community of Independent States (CIS). First, it is the CIS Treaty on the Implementation of a Coordinated Antimonopoly Policy dated January 25, 2000,<sup>873</sup> which updates the first such CIS instrument adopted on December 23, 1993. Second, it is the Treaty on the Eurasian Economic Union (EAEU), adopted on May 29, 2014,<sup>874</sup> and its Protocol on General Principles and Rules of Competition.<sup>875</sup>

Some of the countries in the area expressly mention the prohibition of unfair competition in their national constitutions, mainly in the provisions concerning freedoms of economic activities.<sup>876</sup> Thus, from a constitutional perspective, at least for these countries, it is clear that

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<sup>870</sup> Section 9 Tongan PAUCA; Section 3 Vanuatu Trade Secrets Act 2000. Under s 1, a “trade secret” is defined as “any information that is: (a) not generally known among, or readily accessible to, persons who normally deal with information of that kind; or (b) about a person’s business or professional affairs and disclosure would, or could reasonably be expected to, unreasonably affect that person adversely in respect of his or her lawful business or professional affairs; and that has commercial value because of this”.

<sup>871</sup> Section 171(1) Samoan Crimes Act 2013. A “trade secret” is defined in s 171(2).

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*ibid*

<sup>872</sup> All the countries in this report are members of the Paris Convention. WTO Members are Armenia, Georgia, Kazakhstan, Kyrgyz Republic, Republic of Moldova, Russian Federation, Tajikistan, Ukraine; non-Members are Azerbaijan, Belarus, Turkmenistan, Uzbekistan.

<sup>873</sup> Art. 1 provides general definitions, art. 3.2.3) lists of acts defining unfair competition. This agreement was signed by Armenia, Azerbaijan, Belarus, Georgia (with reservations, withdrawn from CIS since August 2009), Kazakhstan, the Kyrgyz Republic, the Republic of Moldova (with reservations), the Russian Federation, Tajikistan, Uzbekistan, Ukraine (with reservations, withdrawn from this agreement since Nov. 2020). The agreement was not signed by Turkmenistan.

<sup>874</sup> Art. 75 (General Principles of Competition); art. 76 (General Rules of Competition). The Treaty entered into force on January 1st, 2015. This Treaty was signed by Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, the Russian Federation.

<sup>875</sup> Art. 1, art. 2, 14) of the Annex 19 to the Treaty on the Eurasian Economic Union, Protocol on General Principles and Rules of Competition. A reference to the prohibition of unfair competition is also made in the Protocol No 26 on the Protection and Enforcement of Intellectual Property Rights concerning uses of appellations of origin of goods that constitute acts of unfair competition within the meaning of Art. 10 bis of the Paris Convention (art. 21 of the Annex 26 to the Treaty on the Eurasian Economic Union). Before the establishment of the EAEU, Belarus, Kazakhstan, and Russia have adopted a Model law “On competition” of September 17, 2013, approved by the decision of Chiefs of States of October 24, 2013, No 50. See art. 4, 15) for a general definition and art. 16 for the specific acts that cover more aspects than the EAEU Treaty.

<sup>876</sup> Art. 59 of the Constitution of the Republic of Armenia (as amended up to December 6, 2015); Art. 15 II of the Constitution of the Republic of Azerbaijan (as last amended on March 18, 2009); art. 26.4 of the Constitution of the Republic of Kazakhstan (as last amended up to March 25, 2019); art. 34, 2) of the Constitution of the Russian Federation (as amended up to July 2020); art. 42 of the Constitution of Ukraine (as amended up to 2016). The following countries do not mention unfair competition in their constitution: Constitution of the Republic of Belarus of 1994 (as last amended up to October 17, 2004); Constitution of Georgia (as last amended up to March 23, 2018); Constitution of Republic of Moldova (as amended up to 2016: there is a reference to “fair competition” in art. 9, 3); Constitution of the Republic of Tajikistan (as amended up to 2003); Constitution of Turkmenistan (as amended up to 2008); Constitution of the Republic of Uzbekistan (as amended up to August 29, 2017). Constitution of the Republic of Azerbaijan UC is referred to in an article titled “Economic development and State”, but the general

protection against unfair competition serves the goals of fostering fair and undistorted competition in a general sense.<sup>877</sup> This hypothesis is further validated by looking at the place of unfair competition in the regional Agreements mentioned above, among other antimonopoly standards, and at specific national legislations where unfair competition is merged with other competition-related disciplines.<sup>878</sup> Only the Ukraine and Azerbaijan have specific laws on unfair competition.<sup>879</sup> Belarus combines general provisions in the Civil Code with more specific provisions in a law on competition.<sup>880</sup> Kazakhstan codifies provisions on unfair competition in its Entrepreneurial Code.<sup>881</sup> Turkmenistan does not seem to have specific legislation in this area.<sup>882</sup>

Existing national statutes adopt a detailed approach, providing both a general definition of unfair competition and a list of specifically prohibited acts. Along with that, a set of more specific statutes has been adopted in many countries, in particular on advertisement,<sup>883</sup> major sports events<sup>884</sup> and trade secrets.<sup>885</sup>

Since the second half of the 1990s, CIS countries have shifted towards a market economy. Against this background, there was a need to adopt legislation on unfair competition, as part of the instruments for building efficient competition. Fostering fair competition by protecting competitors remains the general rationale for this legislation and practice. However, the objective to support the general economic development seems to be a valid justification too, since the State is actively involved in this regulation through administrative procedures and,

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meaning of the provision is about market economy, free business activity, prevention of monopoly and unfair competition in economic relations.

<sup>877</sup> For a critical approach to the inclusion of unfair competition among competition disciplines, see Unctad, Assessment of the Eurasian Economic Union Competition Rules and Regulations, United Nations, 2020, 10; the topic is also discussed in domestic literature.

<sup>878</sup> Chapter V of the Law of the Republic of Armenia November 6, 2000, on Protection of Economic Competition (as amended up to July 1, 2014) <https://wipolex.wipo.int/en/text/434741>; arts. 3 and 8 of the Law of the Kyrgyz Republic No. 116 of July 22, 2011, on Competition (as amended up to Law No. 153 of July 28, 2017) (<https://wipolex.wipo.int/en/text/457090>); art. 4 and Chapter 3 of the Law of the Republic of Moldova on Competition No. 183 of July 11, 2012 (as amended up to August 2, 2013) <https://wipolex.wipo.int/en/text/339847>; art. 4 and Chapter 2.1. (arts. 14.1 to 14.8) of the Federal Law on protection of competition of 26 July 2006 No 135-FZ (as amended up to 2021) <http://en.fas.gov.ru/documents/documentdetails.html?id=15366>; arts. 3 and 7 of the Law of the Republic of Tajikistan on Competition and Restriction of Monopolistic Activity in Commodity Markets, of July 28, 2006 (as amended up to 2008) <https://wipolex.wipo.int/en/text/235995>; arts. 4 and 13 of the Law of the Republic of Uzbekistan No. ZRU-319 of January 6, 2012, on Competition (as amended up to 2018) <https://wipolex.wipo.int/en/text/477206>.

<sup>879</sup> Law of the Republic of Azerbaijan on Unfair Competition № 1049, adopted on June 2, 1995 (as amended up to December 30, 2003) <https://wipolex.wipo.int/en/text/365135>; Law of Ukraine on the Protection against Unfair Competition of 07.06.1996 No 236/96-VR (as amended up to 2019).

<sup>880</sup> Chapter 68 (art. 1029 and 1030) of the Civil Code of December 7, 1998, No. 218-3 (as amended up to 2021); arts. 1 and 16 of the Law of the Republic of Belarus No. 94-Z of December 12, 2013, on Counteraction to Monopolistic Activities and Promotion of Competition' (as amended up to December 12, 2013) <https://wipolex.wipo.int/en/text/337119>;

<sup>881</sup> Entrepreneurial Code of the Republic of Kazakhstan No. 375-V of October 29, 2015 (as amended up to Law No. 262-VI of July 3, 2019) <https://wipolex.wipo.int/en/text/545642>. Before that, unfair competition was regulated under a specific law, then merged with other competition-related disciplines in a law on competition (entered into force in 2009).

<sup>882</sup> Acts of unfair competition are, however, referred to in art. 1068 of the Civil Code June 12, 1997, № 222-I (as amended up to 2020), but the article which deals with IP rights merely states that unfair competition may offer alternative remedies; art. 16 of the Law of Turkmenistan No. 698-XII of May 19, 1992, on Investment Activity in Turkmenistan; Art. 4 and 32 of the Law on Advertisement of March 26, 2016, No. 374-V.

<sup>883</sup> E.g., Law of Georgia on Advertising of February 18, 1998, No. 1228-IIs; Law of Kazakhstan Law on Advertisement of 19 December 2003 No 508-P (art. 174); Law of the Kyrgyz Republic on Advertisement of December 24, 1998, No 155; Federal Law of the Russian Federation on Advertisement of 13 March 2006 No 38-FZ; Law of the Republic of Tajikistan on Advertising of August 1, 2003.

<sup>884</sup> E.g., art. 20.1 of the Russian Federal Law of December 4, 2007, No. 329-FZ On Physical Culture and Sport in the Russian Federation (as amended in by FL of June 07, 2013, No 108-FZ), specific laws for the Olympic games, the FIFA tournaments, etc.

<sup>885</sup> E.g., Russian Federal Law of July 29, 2004, No 98-FZ on Trade secrets.

when available, stakeholder dialogue. A trend towards justifying unfair competition based on the protection of consumers' interests is also on the rise.<sup>886</sup> Nonetheless, protection of consumers remains a distinct area of legislation in all CIS countries.<sup>887</sup>

Legislation on unfair competition and on intellectual property hold the same hierarchical level, since intellectual property protection is also rooted in international and regional agreements, often in national constitutions,<sup>888</sup> and in specific laws. While pursuing distinct objectives and covering distinct behaviours, they are complementary and interconnected. Provisions on unfair competition in the CIS and EAEU countries prohibit the unfair registration and use of trademarks, unfair use of various subject matter of intellectual property protection, including the reproduction of the outer appearance of someone else's goods. It is generally admitted that the use of subject matter enjoying intellectual property protection *per se* is not considered a violation of unfair competition legislation.<sup>889</sup> The relationship between intellectual property and unfair competition may also be conflictual, as the issue of parallel imports demonstrates (see section 4).

As some of the violations under both sets of laws are very close or overlapping, a conceptual line may be drawn not only on substantive legal aspects (eligibility for protection, requirements, scope, and available defences), but also on the proceedings and remedies available and applied in practice. In very broad terms, while both civil and public enforcement mechanisms are available for both sets of rules, and they may be combined, a tendency towards administrative proceedings leading to administrative and criminal fines is noticeable under unfair competition provisions, whereas those who seek intellectual property protection are leaning towards judicial enforcement in both commercial and civil courts, which results in the award of damages and compensation.<sup>890</sup>

Since the adoption of the 2000 CIS Agreement on unfair competition, countries are willing to cooperate and coordinate their policies at the international level.<sup>891</sup> A further degree of integration is reached within the EAEU, where since 2015 competition law, including unfair competition, has become an area of supranational regulation. The Eurasian Economic

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<sup>886</sup> The Preamble of the Law on Unfair Competition of Ukraine defines its aims as protecting both economic operators and consumers against unfair competition. The objective of protecting the rights and interests of the consumers, as market players, and their vulnerability to acts of unfair competition has been underlined in para. 10 of the Plenary Ruling of the Supreme Court of the Russian Federation of March 4, 2021, No. 2 "On certain issues arising in the judicial application of the antimonopoly legislation". In a ruling of April 26, 2019, No. 303-KG18-23327 the Russian Supreme Court also said: "The prohibition of unfair competition is established in order to ensure that economic entities have a fair (equal) opportunity to operate in the relevant commodity markets, as well in order to protect consumers from having their behaviour distorted by unfair commercial practices on the part of business entities".

<sup>887</sup> At the level of the CIS, an Agreement on the main directions of cooperation in the area of consumer protection was adopted on January 25, 2000 (amended on May 19, 2011), making a reference to countermeasures against unfair activities of economic entities, violating consumer protection legislation or business practices, economically or non-economically damaging consumers and/or the environment (art. 1).

<sup>888</sup> Art. 44.1 of the Russian Constitution, on the constitutional provisions of Armenia, Kyrgyz Republic, Tajikistan, Azerbaijan, Moldova see C. Geiger, "Implementing Intellectual Property Provisions in Human Rights Instruments: Towards a New Social Contract for the Protection of Intangibles", in: C. Geiger (ed.), *Research Handbook on Human Rights and Intellectual Property*, 661 (Cheltenham, UK/Northampton, MA, Edward Elgar, 2015), fn. 23, 24, fn. 30, see also fn. 15 citing Kazakhstan and Uzbekistan constitutions as not referring to IP.

<sup>889</sup> See para 30 of the Plenary Ruling of the Supreme Court of the Russian Federation of March 4, 2021, No. 2 "On certain issues arising in the judicial application of the antimonopoly legislation".

<sup>890</sup> This is explicable by the cost of the proceedings for the claimant, but mainly by the low burden of proof in administrative proceedings, together with broader investigation powers. It is common that IP rightholders file claims in damages in commercial courts after receiving a positive decision from the administrative body, or file a claim for IP infringement using the administrative decision finding unfair use of a trademark as evidence (E.P. Gavrillov, "Glava 12: Pravovaia zashita ot nedobrosovestnoi konkurencii" (Chapter 12: The Legal protection of unfair competition), in Novoselova (ed), *Pravo Intellektual'noi Sobstvennosti (Intellectual Property Law)*, Vol. 1, Statut, Moscow, 2017, 427 (hereafter, Gavrillov, 2017)).

<sup>891</sup> The CIS Intergovernmental Committee on antimonopoly policy and the Eurasian Economic Commission have signed a Memorandum on cooperation in the area of antimonopoly policy in September 2013.

Commission (EAEC) is competent to investigate applications alleging unfair competition on cross-border markets. As the procedure involves consultations with Member States, the results may be seen as built on a certain consensus, if not having a harmonizing effect.<sup>892</sup> In the absence of a supranational judicial or quasi-judicial body for disputes relating to intellectual property, this enforcement mechanism offers an interesting avenue for rightholders against borderline behaviours involving distinctive signs (misleading acts, unfair trademark registration, creating confusion).

## 2. Honest Practices in Industrial or Commercial Matters

Under the 2000 CIS Agreement, a finding of unfair competition requires an act or inaction meeting three essential criteria: to be aimed at obtaining an advantage in business activities, to cause or be likely to cause damage to other economic entities or their business reputation, and to be contrary either to national antimonopoly legislation or to business customs.<sup>893</sup> With the adoption of the EAEU Treaty changes were made to this approach: unfair competition requires an active behaviour (with some exceptions),<sup>894</sup> occurring among competitors, while acts have to be contrary to any national legislation, business customs, or to the moral and ethical requirements of integrity, reasonableness and fairness.<sup>895</sup>

Thus, the transposition of the 10*bis* PC concept of “honest practices in industrial or commercial matters” in the legislations of CIS and EAEU Member States may be deemed broad, as it goes beyond unlawful acts, encompassing business customs or practices as well as ethical norms. It not only extends the coverage of protection against unfair competition, but also equips the judge with a broader discretionary freedom.<sup>896</sup> On the other hand, it must also be mentioned that such a definition of unfair competition, requiring the acts to cause damage and to provide unfair advantage, may be deemed more specific than the 10*bis* PC concept of “honest practices in industrial or commercial matters”.<sup>897</sup> At least in Russia, Article 10*bis* PC has a direct effect. It is recurrently applied by courts in combination with more specific national legislation.<sup>898</sup>

Besides, when looking at business customs only, some authors point out that such traditions are relatively new to the Russian market, which is also true with regard to other CIS countries. Thus in practice they are not so frequently applied as a reference point for determining the unfairness of conduct.<sup>899</sup>

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<sup>892</sup> Five applications on unfair competition were filed with the EAEC in 2019, eleven in 2018, three in 2017 (Source: EAEC website). EAEC decisions may be appealed, following a mandatory conciliatory phase, to the Court of the EAEU. No unfair competition case has yet been examined at the Court of the EAEU.

<sup>893</sup> CIS 2000 Agreement, Art. 1 (definitions).

<sup>894</sup> This is a generally agreed norm if looking at art. 1 of the Law on Unfair Competition of Ukraine which only refers to acts. A discrepancy is, however, noticeable elsewhere: although Russian law only refers to acts in the general definition of unfair competition (art. 4.9), inactions may result in creating confusion under art. 14.6 of the Law on the Protection of Competition. Thus, in regional instruments “acts” would be better understood as a “conduct”.

<sup>894</sup> Art. 2, 14) Annex 19 to the Treaty on the Eurasian Economic Union Protocol on General Principles and Rules of Competition. This is found in the Russian Law on Protection of Competition, art. 4, 19).

<sup>895</sup> Art. 2, 14) Annex 19 to the Treaty on the Eurasian Economic Union Protocol on General Principles and Rules of Competition. This is found in the Russian Law on Protection of Competition, art. 4, 19).

<sup>896</sup> O.A. Gorodov, A.B. Petrov, H.A. Schmigel'skaia, *Nedobrosovestnaia konkurentsia*, Justizinform, Moscow, 2020, 25 (hereafter, Gorodov *et al.*, 2020).

<sup>897</sup> Gorodov *et al.*, 2020, 26, with reference to the Russian national rules defining unfair competition, which are common in the CIS and EAEU legal frameworks.

<sup>898</sup> In particular, art. 10*bis*(2) of the Paris Convention and art. 9.4 of the Law on the Protection of Competition are regarded as coexisting definitions of unfair competition: Gavrilov, 2017, *op.cit.* 390. There is a debate over their identity (*pro* Gavrilov, *id.*, 392 (Russian definition is more detailed); *contra* Gorodov *et al.*, 2020, 20 (the concepts are different)).

<sup>899</sup> It is the case for instance in Russia, see I. Yu. Artemiev (ed.), *Nauchno-prakticheskii kommentarii k Federalnomu zakonu “O zashite konkurentsii” (Theoretical and practical commentary to the Federal Law “On the protection of competition”)*, MGIMO, FAS of Russia, Moscow, Statut, 2016, 307 (hereafter referred as *Russian Commentary*, 2016).

When incompliance with such business customs is invoked, they can either be deduced from written documents<sup>900</sup> or from practice (based on surveys, studies, etc.).<sup>901</sup>

Moral and ethical principles, which are included in several legislations in the region to define unfair competition, refer to general civil law principles.<sup>902</sup> Their assessment mainly requires a normative approach based on perceptions of the said norms of conduct in the market environment. Such unfair behaviour is often placed in the context of abuse of rights under tort law. In a case concerning an unfair trademark registration, for instance, the Russian Supreme Commercial Court referred to Article 10*bis* PC and Part 1 of Article 10 of the Civil Code to establish unfair competition. The latter sets limits to the unbridled exercise of civil rights, in particular when a certain form of conduct impairs competition and amounts to unfair behaviour, which is then equated with an abuse of rights.<sup>903</sup>

Considering that protection against unfair competition is embedded in competition law, this market context remains prevalent in defining what constitutes violations. Recently, in an important ruling, the Russian Supreme Court has used the following formulation: courts have to establish, among other elements, “the difference between the way an economic operator has chosen to compete on the market and the behaviour that would be expected in a similar situation from any operator pursuing its economic interest, but not exceeding the limits of the exercise of civil rights and fair business practice”.<sup>904</sup>

### 3. Implementation of Specifically Prohibited Acts

Countries in the CIS area adopt detailed and non-exhaustive lists of acts that constitute unfair competition.<sup>905</sup> The acts referred to in Article 10*bis*(3) are present in the legislations with variations in the way they are further expanded. In the EAEU Treaty, the non-exhaustive list of acts differs from Article 10*bis*(3) as it does not explicitly mention the violation consisting of “creating of confusion”, while it enumerates “incorrect comparison between economic entities or goods” (Article 76.2 EAEU Treaty). This, however, does not prevent legal action against confusing acts, because the list is not exhaustive.<sup>906</sup> Two requirements have to be fulfilled under most legislative frameworks: acts have to meet the general criteria of unfair competition and they must be performed between competitors.

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<sup>900</sup> In a case where several thousand domain names were unfairly registered by one entity, the antimonopoly body referred to business customs encompassed in the agreement on accreditation and on the Rules of domain name registrations in the .PФ area (*Praesidium of the Supreme Commercial Court of the Russian Federation, dec. of 2 April 2013, No. 11980/12*).

<sup>901</sup> In a case of classified advertising websites, the Court found that what the applicant was alleging to be violations of market standards and business customs was a practice that is commonly adopted among competitors. The Federal Antimonopoly Service’s (hereafter FAS) decision was upheld by the Decision of the Moscow Commercial Court of December 19, 2019, in case No A40-183412/19-122-1521 (*Avito.ru / Avto.ru*). A study on users’ behaviour on such websites was also used in the assessment.

<sup>902</sup> *Russian Commentary*, 2016, 307. Some authors highlight the problem of assessing a behaviour which may be allowed in business practices or under legislative requirements, which are usually low, but prohibited by higher ethical standards: Gorodov *et al.*, 2020, 26.

<sup>903</sup> Ruling of the Praesidium of the Supreme Commercial Court of the Russian Federation of July 1, 2008, No 3565/08 (*AKAI*). A Hong-Kong based company tried to register the AKAI trademark and presented itself as a successor to the Japanese company created in 1929.

<sup>904</sup> See para. 30 of the Plenary Ruling of the Supreme Court of the Russian Federation of March 4, 2021, No. 2 “On certain issues arising in the judicial application of the antimonopoly legislation”.

<sup>905</sup> Only Kazakhstan provides an exhaustive list of 13 acts of unfair competition (art. 177.2 of the Entrepreneurial Code).

<sup>906</sup> M.A. Kusainov *et al.* (eds), *Konkurentnoïe pravo v Evraziiskom ekonomicheskom soïuze (Competition law in the Eurasian economic Union)*, EAEC, Moscow, 2019, 59 (hereafter, *EAEU handbook on competition law*, 2019). A case on the packaging design for lactic beverages is currently in consultations at the EAEC based on the violation of creating confusion, see EAEC, Annual report on the competition on cross-border markets and on the measures taken to suppress violations of the general rules for 2020, 2021, 48-51 (this report will be hereafter referred as *EAEU, Annual Report*).

First, any act of unfair competition has to meet the criteria stated above (aiming at obtaining an unfair advantage, real or likely damage, incompatibility with legislation, business practices or moral and ethical principles). Depending on the prohibited act, legislation or courts allow a more flexible assessment. In Kazakhstan, the main criterion for acts of unfair competition is to be aiming at achieving or receiving illegal advantages. Some acts require individual proof of the illegal nature (illegal use of distinctive signs). Other acts will be deemed illegal as such (copying a good's outer appearance and creating confusion; sale (purchase) of goods with a compulsory range; calling for a boycott of a competitor).<sup>907</sup> While all three aforementioned criteria are essential in Russia, some of the criteria may be presumed, as it is sometimes the case concerning the requirement of real or likely damage.<sup>908</sup> Also acts listed in certain specific statutes do not have to comply with the general criteria, as they are directly referred to as acts of unfair competition.<sup>909</sup>

Second, as a general rule, the entities involved in an unfair competition case have to be competitors. In Russia, this means that they should operate on the same product markets (substitutable goods or no other competing goods) and within common geographical boundaries (at least one common geographical area).<sup>910</sup> Although an analysis of competition on the relevant market is required, it does not require a deep assessment, compared to other competition disciplines. In exceptional cases, the assessment of a competitive relationship is relaxed to a considerable extent.<sup>911</sup> For instance, specific acts of creating confusion or parasitic behaviour may be seen as causing damage to a broader range of economic operators, rather than aiming specifically to damage the claimant who alleges violation, who may have no direct competitive relationship with the alleged infringer.<sup>912</sup> Accordingly, the Supreme Court has recently extended this criterion beyond mere competitors to the existence of acts that have an influence on the state of competition.<sup>913</sup>

In the EAEU cross-border enforcement mechanism, an application alleging unfair competition is assessed, already at the admissibility phase, by verifying that the economic operators are indeed competitors, that they operate on the same product market covering at least the territory of two Member States, and that both parties are registered in different Member States.<sup>914</sup>

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<sup>907</sup> Art. 177 of the Entrepreneurial Code of the Republic of Kazakhstan.

<sup>908</sup> While unfair advantage must be proved, the consequences of unfair competition (damage or harm to business reputation) are presumed: Ruling of the Russian IP Court of October 12, 2018, in case No A56-92760/2017.

<sup>909</sup> E.g., acts listed in art. 8 of the Russian Federal Law on the organisation and holding of the XXII Olympic Winter Games and XI Paralympic Winter Games of 2014 (...) of December 1, 2007 No 310-FZ, such as the use of the words "Olympic", "Sochi 2014", etc., are considered as unfair competition *per se* (see Ruling of the Praesidium of the Russian Supreme Commercial Court of July 19, 2011, No 3255/11; *Russian Commentary*, 2016, 363).

<sup>910</sup> Para 10.6 of the Order of the Russian FAS from April 28, 2010, No. 220 (amended up to March 3, 2020) On approval of the Procedure for the assessment of competition on the product market, registered with the Russian Ministry of Justice on August 2, 2010, No. 18026, *Bulleten' normativnykh aktov federalnykh organov ispolnitelnoi vlasti*, No 34, 23.08/2010; see *Russian Commentary*, 2016, 309.

<sup>911</sup> *Russian Commentary*, 2016, 310; Gavrilov, 2017, op.cit., 397.

<sup>912</sup> *Russian Commentary*, 2016, 310, 355; Gavrilov, 2017, 397-398. On the risk of confusion, the practice is unstable: in the Ruling of the Intellectual Property Court of 05.09.2019 in the case A66-12330/2018 (Russia), the existence of a competition relationship is a necessary requirement for establishing a confusion.

<sup>913</sup> See para 30 of the Plenary Ruling of the Supreme Court of the Russian Federation of March 4, 2021, No. 2 "On certain issues arising in the judicial application of the antimonopoly legislation"; Ruling of the IP Court Presidium of February 3<sup>rd</sup>, 2022, in case No. SIP-143/2021.

<sup>914</sup> See respectively art. 3, 2 and 4 of the "Cross-border market definition criteria", adopted by decision of the Supreme Eurasian Economic Council of December 19, 2012, No. 29 (as amended up to December 26, 2016). The EAEC dismissed a case opposing two companies over the use of the same designation, website style and photographs, which were registered in Russia and Kazakhstan, both provided designer's services, but were operating on different markets, one in Russia, the other in Kazakhstan (EAEC Decision to refuse the launch of investigations on the violation of common competition rules on cross-border markets of February 9, 2018, reported in the EAEC 2018 Annual Report, 35-36). The absence of competitive relations may also be instrumental in finding no violation, along with the absence of a risk of confusion and absence of damage, risk of damage or harm to reputation (EAEC Collegium, Decision of July 9, 2018, No. 109, finding no violation of article 76 of the EAEU

### 3.1 Creating Confusion

The concept of creating confusion covers a very broad range of acts which are closely related to the use of intellectual property.<sup>915</sup> In the CIS countries, the category of confusing use is extended beyond the use of distinctive signs to cover imitation of goods, or even trade dress.<sup>916</sup> The recognition of this category at the regional level appears to be ambiguous, as the CIS Agreement refers to the “unauthorized use of a trademark, company name or product labelling, imitation of a form, packaging, exterior design of a product of another economic entity” (Article 3.2.3), with no reference to confusion, while the EAEU Agreement does not refer to such acts at all.<sup>917</sup> Protection against confusing acts is nevertheless available in various national legislations, and, as mentioned above, a direct reference to the risk of confusion under Article 10*bis* PC is common. National provisions usually cover both the illegal use of distinctive signs (trademarks, trade names, domain names, GIs), and the copying or imitation of a product, its packaging and other elements that are not specifically protected under intellectual property law<sup>918</sup>. The violation consisting of creating confusion is sometimes not distinguished clearly from the violation resulting from misleading the consumer, especially when a trademark is unfairly used by a competitor, owing to the trademark’s function of origin.<sup>919</sup>

The definition of confusion in the context of unfair competition law comes close to the confusion concept in trademark law, where it is assessed in the eyes of the consumer, based on various parameters, including the parameters of trademark use by the rightholder, the degree of notoriety of the trademark, and the degree of the consumer’s attention.<sup>920</sup> Besides, the use of opinion polls for showing the consumers’ perception is widespread among the parties to a dispute. According to the practice on unfair competition in Russia,<sup>921</sup> confusion is defined as “a situation in which the consumer of one product identifies it with a product from another producer, or assumes, despite the differences, that the products are likely to be produced by the same person,” while “the consequence of such behaviour in the market is a possible redistribution of consumer demand from the original manufacturer to the infringing competitor as a result of the consumer mistakenly purchasing the infringer’s goods, as the similarity of the packaging creates the mistaken impression that the goods belong to the same manufacturer.”<sup>922</sup>

The requirement of a competitive relationship may be particularly strict, as evidenced by a ruling of the Russian Intellectual Property Court, upholding the conclusion on the absence of unfair competition on this ground, when the holder of an appellation of origin for ceramic handicraft goods alleged unfair competition arising from the acts of a company selling tea packs with a promotional ceramic object, replicating the applicant’s goods covered by the appellation of origin and using the appellation of origin’s denomination on packaging.<sup>923</sup>

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Agreement of May 29, 2014 (*Stahlbau* case), reported in the EAEC 2017 Annual Report and the EAEC 2018 Annual Report, 36-37).

<sup>915</sup> Gavrilov, 2017, *op. cit.*, 410.

<sup>916</sup> See several cases in Russia on the design of petrol stations, e.g., Ruling of the IP Court of July 15, 2021, in case No. A27-5932/2020.

<sup>917</sup> See, however, Kusainov, *EAEU handbook on competition law*, 59, and EAEC, Annual Report, 48-51. The EAEC underlines that the list of acts of unfair competition is not exhaustive.

<sup>918</sup> See for example art. 12 of the Law of Armenia on the protection of economic competition, art. 14.6 of the Russian Law on the Protection of Competition.

<sup>919</sup> Federal Antimonopoly Service, Letter of August 2018, No AD/66643/18 on the delimitation of application of articles 14.2 and 14.6 of the Law on the Protection of Competition.

<sup>920</sup> Para 162 of the of the Supreme Court of the Russian Federation of April 23, 2019, No 10 on the application of part four of the Civil Code of the Russian Federation, *Gewerblicher Rechtsschutz und Urheberrecht – International* 69 (2020), 925-927.

<sup>921</sup> Art. 14.6 of the Law on the protection of competition.

<sup>922</sup> Federal Antimonopoly Service, Letter of August 2018, No AD/66643/18 on the delimitation of application of articles 14.2 and 14.6 of the Law on Competition.

<sup>923</sup> Ruling of the Russian IP Court of March 25, 2021, in case No. A40-87606/2020.



The ceramics manufacturer and the tea seller were no competitors, therefore, no unfair competition was found despite the acts of copying.

Illustrating a more specific situation, it is necessary to underline that in Russia both under advertisement law and under Article 14.6 of the Law on Protection of Competition (creating confusion), the use of a trademark without the holder's consent in selling or providing repair services for goods, that were lawfully introduced on the market, is not considered as amounting to infringement.<sup>924</sup> However, the Russian Federal Antimonopoly Service (hereafter FAS) can find that the behaviour misleads consumers (Article 14.2 of the Law on Protection of Competition) if they may think that the seller is an official distributor, while this is not the case.

### 3.2 *Discrediting and Denigration*

The harm of discrediting or denigrating behaviour flows from the use of information in order to corrupt consumer's trust in a competitor's goods and to attract consumer's attention to one's own goods.<sup>925</sup> Together with a general prohibition of spreading false, inaccurate, or negative information on the competitor, countries have sometimes adopted additional prohibitions. For instance, in Azerbaijan and the Kyrgyz Republic, the act of "disclosure of data about scientific-technical and production capacities of a competitor in distorted form" is stated along with a general prohibition of spreading false and distorted information.<sup>926</sup>

At the EAEU level, a discrediting act can be assumed when three elements are combined: dissemination of information, false information (or deformed information, inaccurate information), causing damage/harming the competitor's reputation.<sup>927</sup> A *prima facie* violation was thus found in the acts of a business association whose members have sent to potential consumers a letter in which the applicant was referred to as a producer of falsified production, whereas only one product made by this applicant was designated by the State Committee on Standards of Belarus as not complying with a specific technical regulation.<sup>928</sup> Differently, the EAEC dismissed an application alleging that letters with false information on the applicant's customs declaration for electronic and telecommunication equipment imported in Belarus were sent by a Russian economic operator in various government bodies in Belarus. The EAEC found that such behaviour could not be deemed unfair competition, because according to national legislations, legal and physical persons have the right to make such applications to governmental bodies.<sup>929</sup>

In some countries, additional provisions that fall under the general concept of discrediting acts, also coming close to the concept of denigration, are in place. Those are acts of "calling for a boycott of a competitor," "encouraging a market player to break a contract with a competitor,"<sup>930</sup> "appealing to other economic operators (...) aimed at hindering, disrupting or terminating business relations of a competitor, obstructing the business activities of a

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<sup>924</sup> Federal Antimonopoly Service, Letter of August 2018, No AD/66643/18 on the delimitation of application of articles 14.2 and 14.6 of the Law on the Protection of Competition, 3, referring to point 31 of the Plenary Ruling of the Supreme Commercial Court of the Russian Federation No 58 of 08.10.2012, on some issues in the practice of commercial courts applying the Federal Law on Advertisement.

<sup>925</sup> Kusainov, *EAEU handbook on competition law*, 58-59.

<sup>926</sup> Art. 5 of the Law of the Republic of Azerbaijan on Unfair Competition № 1049, adopted on June 2, 1995 (as amended up to December 30, 2003); Art.8.1.6) of the Law of the Kyrgyz Republic No. 116 of July 22, 2011, on Competition.

<sup>927</sup> Kusainov, *EAEU handbook on competition law*, 58-59.

<sup>928</sup> Decision of the EAEC of July 23, 2019, No. 38/opr on launching investigations (*Rzhevskoi kabelny zavod vs Assotsiatsia predpriiatii kabelnoi promyshlennosti Belkabel*), reported in the EAEC 2019 Annual Report, 57-62.

<sup>929</sup> Decision of the EAEC of April 12, 2019, No. 17/opr on the absence of grounds for launching investigation of a violation of general rules of competition in cross-border markets (*Relpol-Eltim (Russia) vs Overdrive-Electro (Belarus)*), reported in the EAEC 2019 Annual Report, 56-57.

<sup>930</sup> E.g., art. 177, 7) and 9) of the Entrepreneurial Code of Kazakhstan.

competitor operating in the given market or seeking to enter it, including for the purpose of entering into business relations with its business partner.”<sup>931</sup> Further acts of interference may be covered by civil law provisions on business reputation<sup>932</sup> or by advertisement law<sup>933</sup>.

### 3.3 *Misleading the Public*

Differently from acts leading to the discrediting of a competitor by providing negative or inaccurate information, misleading the public consists of an act of providing positive information about one’s own entity or products, which is false.<sup>934</sup> It is a very common type of violations requiring a broad scope of protection against unfair competition (CIS Agreement, Article 3.2.3; EAEU Treaty, Article 76.2.2). Dissemination of misleading information is the main cause of violations found by the Antimonopoly Committee of Ukraine.<sup>935</sup> In Russia, this category of violations attracts the largest number of applications to the Federal Antimonopoly Service (FAS),<sup>936</sup> followed by confusion, then discrediting acts.<sup>937</sup>

One recent trend in applying the provisions dealing with misleading acts is the approach taken by the Russian FAS to fight against “double standards” for goods offered for sale in Russia and those offered in the European Union. The fact that the former may be of lesser quality, against the buyer’s expectations, is considered as a misleading act amounting to an act of unfair competition.<sup>938</sup>

Surveying the developments in this area, it can be said that national legislation in CIS countries chooses to adopt detailed lists of acts that are considered acts of unfair competition, which go beyond the acts listed in Article 10bis(3) PC or the regional agreements<sup>939</sup>, while administrative and judicial practice further stretches the available protection based on the general definition of unfair competition. The resulting scope of protection is relatively broad. However, the described general requirements and, in particular, the need for the parties to be competitors may reduce the scope of protection.

## 4. Additional Acts of Unfair Competition

As already indicated, the national lists of prohibited acts of unfair competition are relatively broad, with subcategories and extensions. In particular, rules relating to advertisement, trade secrets, parasitic behaviour, and obstruction of parallel trade may be identified as distinct categories. Other forms of unfair competition may also be mentioned in passing, such as

<sup>931</sup> E.g., art. 16.1.4. of the Law of the Republic of Belarus of December 12, 2013, No. 94-Z, on Counteraction to Monopolistic Activities and Promotion of Competition; art. 6 of the Law of the Republic of Azerbaijan on Unfair Competition (Interference with economic activity of the competitor).

<sup>932</sup> E.g., art. 150 of the Russian Civil code refers to business reputation among immaterial assets (such as life, health, dignity, etc) and art. 152 formulates how it should be protected.

<sup>933</sup> E.g., art. 5 of the Russian Law on Advertisement, prohibits unfair advertisement that defames the honor, dignity or business reputation of a person, including a competitor.

<sup>934</sup> *EAEU Handbook on competition law*, 2019, 59.

<sup>935</sup> Art.15<sup>1</sup> of Law of Ukraine on Protection against Unfair Competition, out of 141 out of 168 cases were founded on this article in 2019, the numbers remain of the same range in other reports, see. Table 5, 11 of the Annual Report on Competition Policy developments in Ukraine, OECD, 27 May 2020, DAF/COMP/AR (2020) 55. No information was provided in this report regarding judicial cases on unfair competition.

<sup>936</sup> Art. 14.2 of the Law on the protection of Competition.

<sup>937</sup> If not taking into account the « default » clause of art. 14.6 of the Law on the Protection of Competition. For all the statistics, see the *FAS Doklad o sostoianii konkurencii v Rossijskoj Federacii za 2020 god* (Report of the State of the Competition in the Russian Federation in 2020, FAS, 2021, 304-307 ([link](#))).

<sup>938</sup> Series of Notices issues by FAS, e.g. the Notice to cease acts containing features of unfair competition addressed on December 3, 2019, to Henkel Rus No. IA/106146/19 (washing powder Persil), Procter and Gamble No. IA/106145/19 (washing powder Ariel), Lindt and Sprüngli No. IA/106147/19 (chocolate). It is interesting to highlight that these notices were adopted upon the applications of the Russian Federal Service on consumer protection.

<sup>939</sup> Possibly drawing from the BIRPI Model law for Developing Countries on Marks Trade Names and Acts of Unfair Competition, 1967, see commentary 78.

bribery of a worker, or bribery of a supplier,<sup>940</sup> which would be covered by the category of disorganisation which Paul Roubier introduced in 1948.<sup>941</sup>

#### 4.1 *Incorrect Comparison, Advertisement and Confidential Information*

As already mentioned, an incorrect comparison is sometimes referred to in legislation as a form of unfair competition (EAEU Treaty, Article 76.2; CIS Agreement, Article 3.2.3)<sup>942</sup>. In Russia, the relevant article identifies among the possible wrongdoings in this category a comparison with a competitor or his goods based on non-objective criteria, concerning non-substantial aspects, or such comparisons in which the defendant uses the words “the best”, “number one”, “the one and only”, etc. without indicating what features are compared.<sup>943</sup> Such comparison may, however, be closer to the notion of misleading the public, than to unfair advertisement, which is applied as a *lex specialis* in the Russian system of protection against unfair competition.<sup>944</sup>

In the area of advertisement, national legislations on unfair competition identify acts in this area as part of unfair competition violations.<sup>945</sup> Some countries adopt additional laws regulating advertisement,<sup>946</sup> where specific types of unfair behaviour are referred to as being unfair competition. At the CIS level, an agreement on the issue was adopted in 2003, mainly aiming at organizing cooperation between the Member States.<sup>947</sup>

Confidential information is particularly subject to overlapping protection. Along with the regional sources (CIS Agreement, Article 3.2.3) countries adopt specific provisions on unlawful collection and disclosure of confidential information as part of protection against unfair competition<sup>948</sup>. Countries also adopt specific laws or provisions on the protection of trade secrets and/or know how, usually connected to intellectual property law and covering a broad range of industrial, technical, organisational, or commercial information<sup>949</sup>. Besides, additional types of information are regulated by further confidentiality regimes<sup>950</sup>.

<sup>940</sup> Arts. 177.2, 10 and 11), 187 and 188 of the Entrepreneurial Code of the Republic of Kazakhstan; Art. 16, 1.6 of the Law of the Republic of Belarus on Counteraction to Monopolistic Activities and Promotion of Competition; art. 8.1.8) of the Law of the Kyrgyz Republic on competition; art. 7 of the Law of the Republic of Tajikistan on Competition and Restriction of Monopolistic Activity in Commodity Markets.

<sup>941</sup> P. Roubier, “Théorie générale de la concurrence déloyale”, *RTD com.* 1948, 51: risk of confusion, denigration, disorganization.

<sup>942</sup> Also in art. 7 of the of the Law of the Republic of Tajikistan on Competition and Restriction of Monopolistic Activity in Commodity Markets.

<sup>943</sup> Art. 14.3.1) of the Law on the Protection of Competition.

<sup>944</sup> Gavrilov, 2017, op. cit., 405.

<sup>945</sup> In the category of creating confusion, e.g., art. 7 of the of the Law of the Republic of Tajikistan on Competition and Restriction of Monopolistic Activity in Commodity Markets; art. 15 of the Law of Uzbekistan on Competition; art. 12.2.7) of the Law of Armenia on Protection of Economic Competition; art. 7 of the Ukrainian Law on the Protection against Unfair Competition. In the category of Misleading the public: art. 9 of the Law of the Republic of Azerbaijan on Unfair Competition. With reference to denigrating actions: art. 13.2 of the Law of Armenia on Protection of Economic Competition.

<sup>946</sup> E.g., Law of Georgia on Advertising of February 18, 1998, No. 1228-III; Law of Kazakhstan Law on Advertisement of 19 December 2003 No 508-P (art. 174); Law of the Kyrgyz Republic on Advertisement of December 24, 1998, No 155; Federal Law of the Russian Federation on Advertisement of 13 March 2006 No 38-FZ; Law of the Republic of Tajikistan on Advertising of August 1, 2003.

<sup>947</sup> Agreement on cooperation in the area of advertisement of December 19, 2003, which refers to inappropriate advertisement as unfair advertisement, among others (art.5).

<sup>948</sup> E.g., Arts 16-19 of the Ukrainian Law on the Protection Against Unfair Competition; art. 189 of the Entrepreneurial Code of Kazakhstan; art. 16 of the Law of Armenia on the protection of economic competition; Art. 14.7 Of the Russian Law on the Protection of Competition.

<sup>949</sup> Art. 39 and 40 of the Protocol No 26 on the Protection and Enforcement of Intellectual Property Rights to the EAEU Treaty; Chapter 75 of the Civil Code of the Russian Federation which includes production secrets (know-how) among subject-matter covered by intellectual property law, independently from the Russian Federal law on trade secrets No 98-FZ of July 29, 2004. In Ukraine, trade secrets are protected as intellectual property under Chapter 48 of the Civil Code and articles 155 and 162 of the Commercial Code.

<sup>950</sup> E.g. laws on information (Law of the Republic of Tajikistan on Informatization of August 6, 2001; Ukrainian Law on Information No 2657-XII of October 2, 1992; Russian Federal Law on of July 27, 2006, No 149-FZ On

#### 4.2 Parasitic Behaviour

Acts of parasitism or taking advantage of one's reputation, independently of creating confusion, are covered in Armenian legislation.<sup>951</sup> When national legislation does not directly address parasitic behaviour, unfair acts in this category may fall within the scope of extensions of a statutory prohibition of creating confusion,<sup>952</sup> unfair registration and use of trademarks, or unfair use of other intellectual property. Alternatively, it may be analysed under the general unfair competition clause.

In Russian practice, for instance, various provisions, including the general default clause of Article 14.8 of the Law on the Protection of Competition, covers situations in which someone else's reputation is used to gain an unfair advantage, without necessarily causing confusion or harming this person, even if the alleged infringer cannot be considered a competitor.<sup>953</sup>

A prohibition of parasitic behaviour may sometimes follow from assessing a violation under the statutory provision which concerns the unfair registration of a trademark (currently Article 14.4 of the Russian Law on the Protection of Competition), especially when regular trademark law does not apply in the absence of goods' and services' similarity or identity.<sup>954</sup> In the *Vacheron Constantin* case, the Praesidium of the Supreme Commercial Court indicated that the registration of a sign using the term "Vacheron" as a trademark for clothes, shoes and hats was an act of unfair competition, notwithstanding the fact that the claimant did not register it in Russia for these goods, because this sign had acquired an international reputation as a designation used on premium class watches, made by the claimant in Switzerland. In this case the Court found that a risk of confusion could arise and that the defendant had not shown the required degree of circumspection to escape a finding of unfair use of economic advantages, acquired by the claimant and derived from the reputation among consumers.<sup>955</sup>

#### 4.3 Restrictions on Parallel Imports

Another trend that can be observed in Russia since 2017 is that restrictions on the parallel import of goods under a registered trademark without the rightholder's consent may be qualified as acts of unfair competition. In the *Daimler* case, in which the car manufacturer did not reply to requests for consent made by independent spare part importers, FAS found that Daimler's behaviour amounted to an act of unfair competition. This decision was recently upheld by the Moscow Commercial Court.<sup>956</sup> This case is unique for the moment, but it is inspired by the clarification provided in 2018 by the Constitutional Court concerning trademark exhaustion under intellectual property law.<sup>957</sup> The Constitutional Court clarified in particular that the referred provisions had to be applied "in the context of the general legal principles of

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information, information technologies and protection of information) or various types of professional secrets in various legislation on banks (art. 857 of the Russian Civil Code and additional legislation), taxes (art. 102 of the Russian Tax Code), in audit law (art. 8 of the Russian Federal law on audit activities).

<sup>951</sup> Art. 15 of the Law on the Protection of Economic Competition, para. 1: All acts or conducts in commerce that harm or may harm the reputation or notoriety of an economic agent, independently of creating confusion, are considered to be acts of unfair competition.

<sup>952</sup> *EUA Handbook on Competition Law*, 2019, 63.

<sup>953</sup> *Russian Commentary*, 2016, 366 and following pages.

<sup>954</sup> Art. 14.2 of the Russian Act on the Protection of Competition. NB: Russian Trademark law does not have a concept which is analogue to the EU "trademarks with reputation". Based on art. 6bis of the Paris Convention, well-known trademarks may be recognised as such through a specific registration procedure at the Russian Intellectual Property Office (Rospatent).

<sup>955</sup> Praesidium of the Russian Supreme Commercial Court of April 2012, No 16912/11.

<sup>956</sup> Moscow Commercial Court, August 11, 2021, joint cases A40-222446/20-144-1667 (Daimler A.G.). In particular unfair behaviour was found under para. 2 of art. 10 bis of the Paris Convention in the absence of a procedure for reviewing applications from importers who wished to get the rightholder's consent for importing original goods bearing the trademark, while there is a demand for such goods from the Russian consumers.

<sup>957</sup> Para 5 of the Ruling of the Constitutional Court of the Russian Federation of February 13, 2018 No 8-P ("PAG LLC"), *Gewerblicher Rechtsschutz und Urheberrecht – International* 2018, 685.

equality and fairness, and taking into account the requirements of proportionality and respect for the balance of competing rights and legitimate rights arising from these principles”, and that unfair restrictions of the exhaustion mechanism consisted of, for instance, “limiting the importation into Russia of specific goods or setting higher prices for the Russian market, as compared to other markets, to a higher degree than what is characteristic of a normal economic activity and the fulfilment of a reasonable economic interest of the rightholder, if those acts lead to restrictions on Russian consumers’ access to relevant goods.”<sup>958</sup> Hence, the objective of fostering competition through parallel imports is interlinked with the protection of consumers’ interests.

#### 4.4 Modern Technologies

For the time being, no new legal obligations have arisen that specifically address unfair competition practices using modern technologies. At the EAEU level, however, a recommendation has been adopted based on a review of best practices in the antimonopoly regulation of digital markets.<sup>959</sup>

Several cases show how the Russian FAS and courts are handling such new practices. Regarding online advertisement systems based on keywords using third parties’ distinctive signs, the Supreme Court held that such acts could be qualified as unfair competition under Article 14.6 of the Law on Unfair competition and Article 10*bis* PC.<sup>960</sup> Subsequently the Russian FAS has formally recommended a stricter approach to this issue by recalling that in order to find a violation, the mere use of keywords was not sufficient. Instead, all criteria of Article 4.9 and 14.6 of the Law on the Protection of Competition, in particular a risk of confusion, had to be met.<sup>961</sup>

In a case between two advertisement websites,<sup>962</sup> Avito.ru and Avto.ru, the former claimed on various legal grounds that the latter was copying its users’ advertisements for second-hand cars. Avto.ru’s operations consisted of calling each user who posted an advertisement on Avito.ru and asking for consent to place the post on Avto.ru as well, together with additional details that were hidden on Avito.ru. FAS used studies on the market of advertisement websites and on users’ behaviours and perceptions to assess the situation. On this basis, it dismissed Avito’s argument of incompliance with “market standards” and “business customs.” It also rejected the argument that Avto.ru benefited from a “network effect” by copying advertisements.<sup>963</sup> Unfair competition was not found by the FAS, as confirmed by a subsequent court decision which underlined that, in essence, Avito claimed exclusivity for advertisements that were posted by users. This, however, was contrary to the interests of individual sellers and competition in general.

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<sup>958</sup> *Id.*, Para 5.

<sup>959</sup> Recommendation of the EAEC Collegium of May 25, 2021, on the review “Competition (anti-monopoly) regulation on the digital markets”. The review is to be found here:  
<http://www.eurasiancommission.org/ru/act/caa/cpol/konkurentpol/Documents/O63op.pdf> (in Russian).

<sup>960</sup> Para 172 of the Plenary Ruling of the Supreme Court of the Russian Federation of April 23, 2019, No 10 on the application of part four of the Civil Code of the Russian Federation.

<sup>961</sup> FAS *Recommendations on the use of distinctive signs in keywords* of October 21, 2019, No AK/91352/19. The IP Court has upheld a FAS decision in which the mere use of a trademark in keywords was not sufficient, as the Court indicated that keywords for search engines may be chosen by the companies or automatically added: Ruling of the IP Court, February 12, 2021, No. A13-1228/2019. In general, the use of a third party’s trademark in keywords does not infringe upon the exclusive right, as recurrently clarified by the Russian IP Court, e.g., in its ruling of August 16, 2021, in case No. A41-88433/2018; of April 25, 2019, in case No. A40-167611/2018.

<sup>962</sup> Decision of the Moscow Commercial Court of December 19, 2019, in case No. A40-183412/19-122-1521 (*Avito / Avto.ru*).

<sup>963</sup> For a critical review of the decision on this point, see Aleksey V. Petrov, “Network effects and unfair competition in the digital platforms markets: Avito vs. Auto.ru Case”, *Predprinimatelskoïe pravo*, 2020, No. 4, 43-50. The notion of “network effects” will be defined in the *Fifth Antimonopoly Package*.

## O. EUROPEAN UNION (EU)\*

### 1. Legislative Framework

In the European Union (“EU”), unfair competition law is not fully harmonized. Effective protection against unfair competition, as stipulated in Article 10bis(1) PC, follows from an interplay of EU legislation in certain areas of unfair competition law, and national law and practice in the Member States. At EU level, the Unfair Commercial Practices Directive (“UCPD”)<sup>964</sup> harmonizes the approach to unfair practices in business-to-consumer relations. It protects consumers against misleading and aggressive practices. The Directive on Misleading and Comparative Advertising (“MCAD”)<sup>965</sup> sets forth harmonized rules in the field of advertising. The protection of undisclosed know-how and business information has been harmonized in the Trade Secrets Directive (“TSD”).<sup>966</sup>

Outside of these specific legislative instruments, national legislation regulates significant areas of substantive unfair competition law.<sup>967</sup> The regulatory approach in EU Member States differs considerably. Some countries, such as Austria, Belgium, Denmark, Germany, Greece, Hungary, Slovenia, Spain and Sweden, have enacted specific unfair competition acts seeking to protect competition in the interest of all market participants, including competitors and consumers, and serving the objective to safeguard the general interest of the public in undistorted competition.<sup>968</sup> Protection against unfair competition may also form part of the Intellectual Property Code (Portugal), the Commercial Code (Czech Republic and Slovakia) or a Competition Act including antitrust provisions (Estonia, Latvia and Lithuania).<sup>969</sup> Other countries, such as France, Italy and the Netherlands, distinguish between consumer protection laws and related enforcement mechanisms, and general civil responsibility for acts of unfair competition, in particular on the basis of general tort law.<sup>970</sup>

### 2. Honest Practices in Industrial or Commercial Matters

Recognizing the need for a flexible regulatory framework to allow the law to keep pace with constantly changing trade practices and market circumstances,<sup>971</sup> unfair competition law in the EU rests on flexible, general clauses. Article 5(1) UCPD states that “[u]nfair commercial

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<sup>964</sup> 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, *Official Journal* L 149, 22.

<sup>965</sup> Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version), *Official Journal* L 376, 21.

<sup>966</sup> Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure, *Official Journal* L 157, 1.

<sup>967</sup> Ansgar Ohly, “Trademark Law and Advertising Law in the European Union: Conflicts and Convergence”, in: Irene Calboli & Jane C. Ginsburg (eds.), *Cambridge Handbook on International and Comparative Trademark Law*, Cambridge: Cambridge University Press 2020, 323 (323-324).

<sup>968</sup> Section 3(1) Danish Marketing Practices Act; Section 1 German Act Against Unfair Competition; Article 1 Spanish Law on Unfair Competition. As to Denmark, Finland, Norway and Sweden, see also Monica Viken, “The Borderline Between Legitimate and Unfair Copying of Products – A Unified Scandinavian Approach?”, *International Review of Intellectual Property and Competition Law* 51 (2020), 1033 (1036).

<sup>969</sup> See the overview provided by Frauke Henning-Bodewig, “Die Bekämpfung unlauteren Wettbewerbs in den EU-Mitgliedstaaten: eine Bestandsaufnahme”, *Gewerblicher Rechtsschutz und Urheberrecht – International* 2010, 273 (283-284).

<sup>970</sup> Ohly, *Trademark Law and Advertising Law*, 325.

<sup>971</sup> Spanish Supreme Court (Tribunal Supremo), 7 April 2014, ECLI:ES:TS:2014:1876, Rumba/Ryanair, 8 (quinto), *Gewerblicher Rechtsschutz und Urheberrecht – International* 2015, 1047 (1049).

practices shall be prohibited.” A similar overarching prohibition – encompassing business-to-business relations – can be found in unfair competition laws of EU Member States.<sup>972</sup> A general ban of unfair commercial practices may also follow from the application of general tort law.<sup>973</sup> From court decisions applying these general clauses, clusters of cases have emerged that have found their way into non-exhaustive statutory catalogues of unfair practices.<sup>974</sup> As a result, unfair competition law in the EU is characterized by an interplay of open-ended, flexible clauses prohibiting unfair commercial practices in general, and more concrete statutory examples of dishonest conduct (see sections 3 and 4).

As to the overarching concept of “honest practices in industrial or commercial matters”, a departure from traditional approaches focusing on ethical standards of fairness and decency in a given community can be observed.<sup>975</sup> At the core of this development lies a concern about circular assessment criteria. If the focus is on the customs and perceptions of honesty in a given sector, the trade circle whose business practices serve as a reference point for determining honest practices de facto shapes the legal standards, in the light of which the unfairness of behavior is to be evaluated.<sup>976</sup> To escape this circularity, the concept of honest practices can be aligned with the objective of ensuring the efficient operation of competition as a core instrument of market economies.<sup>977</sup>

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<sup>972</sup> Section 1(1) No. 1 of the Austrian Federal Act Against Unfair Competition seeks to prevent market participants from using “an unfair commercial practice or other unfair act that is capable of influencing competition to the detriment of companies to a more than insignificant extent.” According to Section 3(1) Danish Marketing Practices Act, “[t]raders shall exercise good marketing practice.” Section 3(1) of the German Act Against Unfair Competition states that “[u]nfair commercial practices shall be illegal.” Article 4(1) of the Spanish Law on Unfair Competition states that “[a]ny behavior that is objectively contrary to the requirements of good faith is considered unfair.” Section 5 Swedish Marketing Act requiring marketing to be “consistent with good marketing practice.” As to the requirement of impairing competition to a more than insubstantial extent, see Frauke Henning-Bodewig, *Unfair Competition Law – European Union and Member States*, The Hague/London/New York: Kluwer Law International 2006, 129. See also Article 30 Bulgarian Act for the Protection of Competition; Section 44 Czech Commercial Code; Article 50 Estonian Competition Act; Article 1 Greek Act to Combat Unfair Competition; Article 18(1) and (2) Latvian Competition Act; Article 16 Lithuanian Competition Act; Article 2 Hungarian Act to Combat Unfair Competition; Article 14 Commercial Practices Act of Luxembourg; Article 3(1) Polish Act to Combat Unfair Competition; Article 317 Portuguese Intellectual Property Code; Article 1 Romanian Act to Combat Unfair Competition; Section 44 Slovakian Commercial Code; Article 13(2) Slovenian Act for the Protection of Competition. As to the European Economic Area, Section 25 Norwegian Marketing Control Act stipulates that “[n]o act shall be performed in the course of trade which conflicts with good business practice among traders.”

<sup>973</sup> Article 1240 French Code Civil; Article 6:162 Dutch Civil Code.

<sup>974</sup> Ansgar Ohly, “A Fairness-Based Approach to Economic Rights”, in: P. Bernt Hugenholtz (ed.), *Copyright Reconstructed – Rethinking Copyright’s Economic Rights in a Time of Highly Dynamic Technological and Economic Change*, Alphen aan den Rijn: Wolters Kluwer 2018, 83 (89-90).

<sup>975</sup> Cf. Karl-Nikolaus Peifer, “Schutz ethischer Werte im Europäischen Lauterkeitsrecht oder rein wirtschaftliche Betrachtungsweise?”, in: Reto M. Hilty & Frauke Henning-Bodewig (eds.), *Lauterkeitsrecht und Acquis Communautaire*, Heidelberg/Dordrecht/London/New York: Springer 2009, 125 (125-128); Eugen Ulmer, *Das Recht des unlauteren Wettbewerbs in den Mitgliedstaaten der Europäischen Wirtschaftsgemeinschaft*, Vol. I, Munich 1965, 42-43; Stephen P. Ladas, *Patents, Trademarks, and Related Rights – National and International Protection*, Vol. III, Cambridge, Massachusetts, 1975, 1685-1686.

<sup>976</sup> Ulmer, *Recht des unlauteren Wettbewerbs*, 249; Hans-Wolfgang Micklitz et al., *Study on the Feasibility of a General Legislative Framework on Fair Trading*, Volumes I-II, Institut für Europäisches Wirtschafts- und Verbraucherrecht e.V. 2000, 13 and 467.

<sup>977</sup> Rupprecht Podszun, “Spezielle Wettbewerbsförderung durch Europäisches Lauterkeitsrecht: Plädoyer für ein allgemeines Europäisches Wettbewerbsrecht”, in: Reto M. Hilty and Frauke Henning-Bodewig (eds.), *Lauterkeitsrecht und Acquis Communautaire*, Heidelberg/Dordrecht/London/New York: Springer 2009, 151 (156-157 and 163-168). As to the evolution of approaches considering the functioning of the free market economy as a whole, see Anselm Kamperman Sanders, “Unfair Competition: Complementary or Alternative to Intellectual Property in the EU?”, in: Christophe Geiger (ed.), *Constructing European Intellectual Property – Achievements and New Perspectives*, Cheltenham: Edward Elgar 2013, 329 (338); Rudolf Callmann, “Unlauterer Wettbewerb zum Wohl der Allgemeinheit?”, *Markenschutz und Wettbewerb* 1926/1927, 378; Rudolf Callmann, *Der unlautere Wettbewerb*, Mannheim: Bensheimer 1929.

Developments in EU Member States attest to this trend.<sup>978</sup> Prior to the adoption of the 2004 Act Against Unfair Competition, the German Federal Supreme Court regarded an act of competition as unfair if it “contradicts the sense of decency of a reasonable average tradesman or if the general public disapproves [the act] or considers it intolerable.”<sup>979</sup> This ethical approach has been abandoned in favor of an analysis seeking to safeguard the freedom of competitors to develop their business in an environment of fair, undistorted competition.<sup>980</sup> Discussing deliberate obstruction of competitors,<sup>981</sup> the Court deemed an impairment unfair “if the purpose of the impairment is to prevent competitors from developing their business and thus to displace them, or if the impairment leads to the impaired competitors no longer being able to adequately assert their performance on the market through their own efforts.”<sup>982</sup> Addressing the hierarchy between ethical and economic considerations, the Spanish Supreme Court held that ethical considerations of a general nature were subordinate to requirements directly following from the exigencies of economic competition. It would be wrong to invoke ethical boundaries to repress conduct “that proves to be competitively efficient and that promotes the performance of a person or a third party on the basis of its merits, without causing an alteration in the competitive structure or the normal functioning of the market.”<sup>983</sup>

As to the competitive relationship necessary for an action against unfair competition, elastic concepts – merely requiring a trader to place itself in competition with the claimant in some way – have arisen in some Member States.<sup>984</sup> Hence, an indirect competitive or substitutive relationship between goods or services can already be sufficient.<sup>985</sup> For instance, it may be deemed sufficient that there is an interdependence between the business advantages which one party intends to achieve for itself or a third party, and the disadvantages – in the sense of an impairment of competition – which the claimant suffers.<sup>986</sup>

Concrete indications of conduct that may be regarded as dishonest can be derived from CJEU jurisprudence in the field of trademark law. In the EU, limitations of the exclusive rights of trademark proprietors can only be invoked if the use at issue is carried out in accordance with honest practices in industrial or commercial matters.<sup>987</sup>

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<sup>978</sup> Cf. Viken, *Legitimate and Unfair Copying*, 1045.

<sup>979</sup> German Federal Supreme Court, 14 October 1993, case I ZR 40/93, “PS-Werbung II”, *Gewerblicher Rechtsschutz und Urheberrecht* 1994, 220 (222); German Federal Supreme Court, 18 May 1995, case I ZR 91/93, “Busengrapscher”, *Gewerblicher Rechtsschutz und Urheberrecht* 1995, 592 (593-594); German Federal Supreme Court, 25 January 2001, case I ZR 53/99, “Telefonwerbung für Blindenwaren”, *Gewerblicher Rechtsschutz und Urheberrecht* 2001, 1181 (1182). Cf. Peifer, *Schutz ethischer Werte*, 134-137.

<sup>980</sup> Rupperecht Podszun, “UWG § 3 Verbot unlauterer geschäftlicher Handlungen”, in: Henning Harte-Bavendamm and Frauke Henning-Bodewig (eds.), *Gesetz gegen den unlauteren Wettbewerb*, 4th ed., Munich: Beck 2016, para. 142.

<sup>981</sup> Section 4 No. 4 German Act Against Unfair Competition.

<sup>982</sup> German Federal Supreme Court, 22 June 2011, case I ZR 159/10, “Automobil-Onlinebörse”, para. 65 (unofficial translation by the author).

<sup>983</sup> Spanish Supreme Court (*Tribunal Supremo*), 8 October 2007, ECLI:ES:TS:2007:6143, Schindler/Ascensores Pruertollano, 6 (séptimo) (unofficial translation by the author). Cf. Rafael García Pérez, comment on Spanish Supreme Court (*Tribunal Supremo*), 7 April 2014, ECLI:ES:TS:2014:1876, Rumba/Ryanair, Quinto, *Gewerblicher Rechtsschutz und Urheberrecht – International* 2015, 1049 (1051).

<sup>984</sup> Wolfgang Büscher, “Aus der Rechtsprechung des EuGH und des BGH zum Lauterkeitsrecht seit Ende 2015”, *Gewerblicher Rechtsschutz und Urheberrecht* 2017, 105 (105-106).

<sup>985</sup> For a description of the spectrum of approaches, see Henning-Bodewig, *Bekämpfung unlauteren Wettbewerbs*, 273-287. As to the historical evolution of protection going beyond direct competition, see Kamperman Sanders, *Unfair Competition: Complementary or Alternative*, 338.

<sup>986</sup> German Federal Supreme Court (Bundesgerichtshof), 21 April 2016, case I ZR 151/15, “Ansprechpartner”, *Gewerblicher Rechtsschutz und Urheberrecht* 2016, 1193, para. 15.

<sup>987</sup> Article 14(2) Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark (codification), *Official Journal* 2017 L 154, 1 (“EUTMR”); Article 14(2) Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, *Official Journal* 2015 L 336, 1 (“TMD”).



Elaborating on the honest practices proviso in this context, the CJEU held in *Gillette* – apparently relying on MCAD criteria for determining the permissibility of comparative advertisement – that use of a mark will not be in accordance with honest practices if

it is done in such a manner as to give the impression that there is a commercial connection between the third party and the trade mark owner; it affects the value of the trade mark by taking unfair advantage of its distinctive character or repute; it entails the discrediting or denigration of that mark; or where the third party presents its product as an imitation or replica of the product bearing the trade mark of which it is not the owner.<sup>988</sup>

### 3. Implementation of Specifically Prohibited Acts

With regard to the unfair acts listed in Art. 10bis(3) PC, EU law offers several avenues for obtaining protection against confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3).

#### 3.1 Creating Confusion

In line with Article 10bis(3) No. 1 PC, comparative advertising is impermissible in the EU when it creates confusion among traders, between the advertiser and a competitor or with regard to a competitor's trademarks, trade names, other distinguishing marks, goods or services.<sup>989</sup> In *Toshiba/Katun*, the Court of Justice of the European Union ("CJEU") clarified that a sign falls within the category of "other distinguishing marks" if the public "identifies it as coming from a particular undertaking."<sup>990</sup> The protection following from the ban on confusing trade practices, thus, goes beyond trademarks and trade names. It includes other identifiers of commercial origin. With regard to product numbers used by an equipment manufacturer to identify spare parts and consumable items, the qualification as "other distinguishing marks" may nonetheless be doubtful when such numbers are used alone without an indication of the manufacturer's trademark.<sup>991</sup>

With regard to the concept of confusion, the CJEU has drawn a parallel with the confusion test in EU trademark law.<sup>992</sup> In principle, the interpretation is the same at the European<sup>993</sup> and national<sup>994</sup> level. An actionable likelihood of confusion arises when "the public might believe that the goods or services in question come from the same undertaking or, as the case may be, from economically-linked undertakings."<sup>995</sup> The more distinctive the source identifier at issue, the greater will be the likelihood of confusion.<sup>996</sup> However, the confusion test is not satisfied if unauthorized use merely calls to mind the memory of a competitor's marks without causing direct (product) or indirect (origin) confusion.<sup>997</sup>

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<sup>988</sup> CJEU, 17 March 2005, case C-228/03, *Gillette/L.A.-Laboratories*, para. 49. For a more detailed discussion of the honest practices condition in EU trademark law, see Annette Kur and Martin Senftleben, *European Trade Mark Law – A Commentary*, Oxford: Oxford University Press 2017, para. 6.71-6.77.

<sup>989</sup> Article 4(h) MCAD.

<sup>990</sup> CJEU, 25 October 2001, case C-112/99, *Toshiba/Katun*, para. 49.

<sup>991</sup> CJEU, *id.*, para. 50-51.

<sup>992</sup> Article 9(2)(b) EUTMR; Article 10(2)(b) TMD. Cf. Kur/Senftleben, *European Trade Mark Law*, para. 5.105-5.110.

<sup>993</sup> CJEU, 12 June 2008, case C-533/06, *O2/Hutchison*, para. 49; CJEU, 22 June 1999, case C-342/97, *Lloyd Schuhfabrik Meyer*, para. 17.

<sup>994</sup> For an explicit confirmation of this point, see Austrian Supreme Court (*Oberster Gerichtshof*), 10 May 2011, case 17 Ob 10/11m, *Jungle Man*, 8. Cf. Büscher, *Rechtsprechung EuGH und BGH*, 116.

<sup>995</sup> CJEU, *id.*, para. 59.

<sup>996</sup> CJEU, 11 November 1997, case C-251/95, *Puma/Sabel*, para. 24.

<sup>997</sup> CJEU, *id.*, para. 16 and 26.

In the area of business-to-consumer relations, confusing practices are only actionable when they cause, or are likely to cause, a transactional decision which the average consumer would not have taken otherwise.<sup>998</sup> While the creation of confusion will often impact consumer decisions, doubts can arise when advertising combines the purchase of a product with charitable goals.<sup>999</sup> The promise of protecting one square meter of rainforest, for instance, raises the question whether the consumer cares about the individual square meter, or wishes to support the environmental project more generally.<sup>1000</sup>

### 3.2 *Discrediting and Denigrating Allegations*

The specific harm of false allegations described in Article 10bis(3) No. 2 PC is addressed in national provisions declaring it unfair – unless the facts are demonstrably true – to assert or disseminate facts about the goods, services or business of a competitor, or about the entrepreneur or a member of the management of the business, that could harm the operation of the business or the credit of the entrepreneur.<sup>1001</sup> To assess whether a statement concerns relevant “facts” in the sense of the prohibition, a distinction may be drawn between subjective value judgments and statements of fact.<sup>1002</sup> To cover mere value judgments, national law may supplement the prohibition of false factual statements with a more general ban on discrediting and denigrating allegations.<sup>1003</sup> The assessment of allegations of this nature (the insinuation of criminal conduct for example), requires a weighing of interests in the light of the guarantee of freedom of expression.<sup>1004</sup> In *Rumba/Ryanair*, the Spanish Supreme Court dealt with media statements in which Ryanair had referred to providers of online flight booking services, in addition to allegations of illegal ticket sales and consumer theft, as “parasites of the sector.”<sup>1005</sup> The Court emphasized that the right of every market participant to see its honor and reputation respected had to be weighed against Ryanair’s freedom of expression.<sup>1006</sup> The balancing of interests in the light of the principle of proportionality, however, did not offer support for insulting messages that objectively discredit a competitor. As Ryanair’s statements did not constitute a criticism of the professional activity of travel agencies, but an “insulting and unnecessary disqualification” of their professional behavior, the conduct constituted an unfair commercial practice.<sup>1007</sup>

Further rules on discrediting and denigrating statements can be found in the field of comparative advertising.<sup>1008</sup> In *Pippig/Hartlauer*, the CJEU clarified that the comparison of rival offers, particularly as regards price, was at the heart of comparative advertising. Therefore, a price comparison could not in itself entail the discrediting or denigration of a competitor who charged higher prices.<sup>1009</sup> The advertiser also enjoyed the freedom of choosing the number of comparisons between products. There was no obligation to restrict price comparisons to the

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<sup>998</sup> Article 6(2)(a) UCPD. For an assessment of this requirement in the area of misleading price indications, see CJEU, 26 October 2016, case C-611/14, ECLI:EU:C:2016:800, Canal Digital Danmark, para. 45-47.

<sup>999</sup> As to the reintroduction of ethical considerations following from this type of product marketing, see Peifer, *Schutz ethischer Werte*, 137-141.

<sup>1000</sup> German Supreme Court (*Bundesgerichtshof*), 26 October 2006, case I ZR 33/04, “Regenwaldprojekt I”, para. 34.

<sup>1001</sup> Section 7(1) Austrian Federal Act Against Unfair Competition; Section 4(2) German Act Against Unfair Competition; Article 9 Spanish Law on Unfair Competition.

<sup>1002</sup> Cf. German Supreme Court (*Bundesgerichtshof*), 31 March 2016, case I ZR 160/14, “Im Immobiliensumpf”, *Gewerblicher Rechtsschutz und Urheberrecht* 2016, 710, para. 28-31.

<sup>1003</sup> Section 4(1) German Act Against Unfair Competition.

<sup>1004</sup> German Supreme Court, *id.*, para. 51-57.

<sup>1005</sup> Spanish Supreme Court (*Tribunal Supremo*), 7 April 2014, ECLI:ES:TS:2014:1876, *Rumba/Ryanair*, 3 (primero).

<sup>1006</sup> Spanish Supreme Court, *id.*, 8 (quinto).

<sup>1007</sup> Spanish Supreme Court, *id.*, 8 (quinto).

<sup>1008</sup> Article 4(d) MCAD. Going beyond advertising, national law may apply this rule more broadly. See Section 4(1) German Act Against Unfair Competition.

<sup>1009</sup> CJEU, 8 April 2003, case C-44/01, ECLI:EU:C:2003:205, *Pippig/Hartlauer*, para. 80.

average prices of the products offered by the advertiser and those of the competitor.<sup>1010</sup> An advertiser was also free, for the purposes of lawful comparative advertising, to reproduce the competitor's logo and a picture of its shop front.<sup>1011</sup>

### 3.3 *Misleading Indications or Allegations*

The harmonization of unfair competition law has led to a remarkable concretization of the prohibition of misleading acts in line with Article 10bis(3) No. 3 PC. A commercial practice is regarded as misleading when it deceives, or is likely to deceive, the persons to whom it is addressed and may affect their economic behaviour due to its deceptive nature. Misleading conduct is also actionable when, because of its impact, it injures, or is likely to injure, a competitor.<sup>1012</sup> The misleading action can relate to various elements, including

- product characteristics, such as availability, nature, execution, composition, method and date of manufacture, fitness for purpose, quantity, specification, geographical or commercial origin;
- the commitment, motives, sponsorship or approval of the trader, including compliance with codes of conduct;
- the price calculation or a specific price advantage, the need for a service, part, replacement or repair;
- the nature, attributes and rights of the trader or his agent, including identity, assets, qualifications, awards and distinctions, affiliation, ownership of industrial, commercial or intellectual property rights;
- the rights of the consumer, including rights to replacement or reimbursement.<sup>1013</sup>

With regard to price indications that are divided into several components, the CJEU held in *Canal Digital Danmark* that advertising may be misleading when one price component is particularly emphasized, while another is completely omitted or presented less prominently. The average consumer may wrongly believe that he only must pay the emphasized component of the price.<sup>1014</sup> Further rules on business-to-consumer relations follow from the enumeration of 23 misleading practices in Annex I UCPD. This statutory "black list" includes several detailed descriptions of unfair conduct, such as:

- making an invitation to purchase products at a specified price without disclosing the existence of any reasonable grounds the trader may have for believing that he will not be able to offer for supply or to procure another trader to supply, those products or equivalent products at that price for a period that is, and in quantities that are, reasonable having regard to the product, the scale of advertising of the product and the price offered (bait advertising);<sup>1015</sup>
- falsely stating that a product will only be available for a very limited time, or that it will only be available on particular terms for a very limited time, in order to elicit an immediate decision and deprive consumers of sufficient opportunity or time to make an informed choice;<sup>1016</sup>

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<sup>1010</sup> CJEU, id., para. 81.

<sup>1011</sup> CJEU, id., para. 83-84.

<sup>1012</sup> Article 2(b) MCAD; Article 6(1) UCPD.

<sup>1013</sup> Article 3 MCAD; Article 6(2) UCPD.

<sup>1014</sup> CJEU, 26 October 2016, case C-611/14, ECLI:EU:C:2016:800, *Canal Digital Danmark*, para. 43-44.

<sup>1015</sup> Annex I UCPD, No. 5. According to national case law, the focus of this provision is not on inadequate stockpiling, but inadequate information about the lack of stockpiling. The risk of inadequate information can only be eliminated by providing an explanatory note, which must be "clearly formulated, easy to read and easily recognizable." See German Federal Supreme Court (*Bundesgerichtshof*), 17 September 2015, case I ZR 92/14, "Smartphone-Werbung", *Gewerblicher Rechtsschutz und Urheberrecht* 2016, 395, para. 20.

<sup>1016</sup> Annex I UCPD, No. 7.

- using editorial content in the media to promote a product where a trader has paid for the promotion without making that clear in the content or by images or sounds clearly identifiable by the consumer (advertorial);<sup>1017</sup>
- establishing, operating or promoting a pyramid promotional scheme where a consumer gives consideration for the opportunity to receive compensation that is derived primarily from the introduction of other consumers into the scheme rather than from the sale or consumption of products;<sup>1018</sup>
- claiming in a commercial practice to offer a competition or prize promotion without awarding the prizes described or a reasonable equivalent;<sup>1019</sup>
- including in marketing material an invoice or similar document seeking payment which gives the consumer the impression that he has already ordered the marketed product when he has not.<sup>1020</sup>

The practices listed in Annex I UCPD are deemed unfair per se. Hence, there is no need to demonstrate a particular impact on consumers or the market to establish their unfairness and impermissibility.<sup>1021</sup>

The protection against misleading practices also covers omissions: situations where a trader hides material information, provides such information in an unclear, unintelligible, ambiguous or untimely manner, or fails to identify the commercial intent of the commercial practice in cases where this is not already apparent from the context.<sup>1022</sup> A trader withholds information if the consumer does not receive it, or does not receive it in such a way that he can take it into account when making a business decision.<sup>1023</sup> In the appreciation of omissions, the factual context and circumstances must be considered, including limitations of the communication medium involved.<sup>1024</sup> The CJEU clarified in *Pippig/Hartlauer* that the omission of the better-known brand is misleading in comparative advertising when brand information may significantly affect the buyer's choice and the brands of rival products differ considerably in the extent to which they are known.<sup>1025</sup>

#### 4. Additional Acts of Unfair Competition

Apart from the described protection against harm flowing from confusing, discrediting, denigrating and misleading practices, additional protection may be available in EU Member States against slavish imitation (4.1) and other acts of misappropriation (4.2). The TSD sets forth detailed rules to ensure trade secret protection (4.3). Moreover, new transparency obligations may arise from the use of new technologies (4.4).

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<sup>1017</sup> Annex I UCPD, No. 11.

<sup>1018</sup> Annex I UCPD, No. 14.

<sup>1019</sup> Annex I UCPD, No. 19.

<sup>1020</sup> Annex I UCPD, No. 21.

<sup>1021</sup> Ohly, Fairness-Based Approach, 90.

<sup>1022</sup> Article 7(1) and (2) UCPD.

<sup>1023</sup> Cf. German Federal Court of Justice (*Bundesgerichtshof*), 21 July 2016, case I ZR 26/15, "LDA tested", *Gewerblicher Rechtsschutz und Urheberrecht* 2016, 1076, para. 27.

<sup>1024</sup> Article 7(2) UCPD.

<sup>1025</sup> CJEU, 8 April 2003, case C-44/01, ECLI:EU:C:2003:205, *Pippig/Hartlauer*, para. 53.

#### 4.1 Slavish Imitation

Protection against slavish copying of products or services<sup>1026</sup> is available in many EU Member States.<sup>1027</sup> As this type of protection could undermine the specific conceptual contours and protection requirements of intellectual property rights,<sup>1028</sup> unauthorized copying is only actionable if specific criteria of unfairness are fulfilled.<sup>1029</sup> In particular, it is deemed unfair when the copying causes avoidable confusion as to the commercial origin of goods or services.<sup>1030</sup> The requirement of “avoidable” confusion safeguards the freedom of competition after the expiry of intellectual property rights. The imitation of technical or aesthetic product features is only actionable if the competitor could have implemented the technical know-how or design without slavishly replicating the product that previously enjoyed patent or industrial design protection.<sup>1031</sup>

For a claim based on slavish imitation to have success, national law may require that the imitated good or service have acquired an individual competitive position – its “own face”<sup>1032</sup> – in the relevant market. It must be distinguishable from similar other products or services.<sup>1033</sup> As to the concept of confusion, there is a tendency of aligning the analysis with the criteria that have evolved in harmonized EU trademark law (3.1).<sup>1034</sup> Accordingly, it does not matter whether the public considers the imitation to be the original, or believes that the products in question – even if they are not identical, but make a similar overall impression – come from the same or economically-linked undertakings.<sup>1035</sup>

Apart from cases concerning avoidable confusion, protection against slavish imitation may also be available if the offer of replicas unreasonably exploits or impairs the assessment of the replicated goods or services, or the knowledge or documents for making replicas have been obtained in a dishonest way.<sup>1036</sup>

<sup>1026</sup> As to the extension to services, cf. Viken, *Legitimate and Unfair Copying*, 1042.

<sup>1027</sup> Cf. Ole-Andreas Rognstad, “Om forholdet mellom retten til parallellimport og nasjonale regler om markedsføring”, *Nordiskt immateriellt rättsskydd* 2000, 320 (326–327). As to the permissibility of protection against slavish imitation at the national level despite potential interferences with the free movement of goods and services, see CJEU, 14 September 2010, case C-48/09 P, ECLI:EU:C:2010:516, *Lego/Mega Brands*, para. 61; CJEU, 2 March 1982, case 6/81, ECLI:EU:C:1982:72, *BV Diensten Groep/Beele*, para. 15. Cf. Henning-Bodewig, *Unfair Competition Law*, 29.

<sup>1028</sup> Cf. Anselm Kamperman Sanders, “Do Whiffs of Misappropriation and Standards for Slavish Imitation Weaken the Foundations of IP Law?”, in: Estelle Derclaye (ed.), *Research Handbook on the Future of EU Copyright*, Cheltenham: Edward Elgar, 567.

<sup>1029</sup> Cf. German Supreme Court (Bundesgerichtshof), 19 November 2015, case I ZR 149/14, “Pippi-Langstrumpf-Kostüm II”, *Gewerblicher Rechtsschutz und Urheberrecht* 2016, 725, para. 22-28, where the Court denied additional protection of fictive characters on the basis of the general clause in Section 3(1) of the German Act Against Unfair Competition in the light of specific intellectual property legislation that offers protection avenues.

<sup>1030</sup> Section 4(3)(a) German Act Against Unfair Competition; Section 30 Norwegian Marketing Control Act; Section 14 Swedish Marketing Act.

<sup>1031</sup> Dutch Supreme Court (*Hoge Raad*), 20 November 2009, ECLI:NL:HR:2009:BJ6999, *Lego, Nederlandse Jurisprudentie* 2011, 302 (*Lego*); Dutch Supreme Court (*Hoge Raad*), 31 May 1991, ECLI:NL:HR:1991:ZC0259, *Borsumij/Stenman, Nederlandse Jurisprudentie* 1992, 391. As to the requirement of an almost exact copy in Danish law, see Morten Rosenmeier and Jens H. Schovsbo, “Brugskunstbeskyttelsen mod «meget nærgående efterligninger». Er Højesterets praksis på kant med EU-retten? U2015B.181”, *Ugeskrift for Retsvæsen* 2015, 181-185.

<sup>1032</sup> Dutch Supreme Court (*Hoge Raad*), 19 May 2017, ECLI:NL:HR:2017:938, *Mi Moneda, Nederlandse Jurisprudentie* 2017, 315, para. 3.4.2. Cf. German Federal Court of Justice (*Bundesgerichtshof*), 4 May 2016, case I ZR 58/14, “Segmentstruktur”, *Gewerblicher Rechtsschutz und Urheberrecht* 2017, 79, para. 58-59; Norwegian Supreme Court, 29 November 2005, case HR-2005-1857-A, *Viet Thai Mat AS/Hong Kong Frukt Tobakk og Asiamat (“Rice bag”)*, *Norsk Retstidende* 2005, 1560, para. 30.

<sup>1033</sup> See Section 14 Swedish Marketing Act requiring the product to be “known and distinctive.” Cf. Danish Supreme Court, 19 June 2013, case U2013.2636H, 7 March 2012, case U2012.1983H, 9 February 2001, case U2001.1006H; Italian Supreme Court, Cass. 14 May 2020, case 8944, Cass. 12 February 2009, case 3478, Cass. 26 November 2008, case 28215, Cass. 19 January 2006, case 1062.

<sup>1034</sup> Cf. Viken, *Legitimate and Unfair Copying*, 1042-1043.

<sup>1035</sup> Dutch Supreme Court, *id.*, para. 3.4.5. Cf. Viken, *Legitimate and Unfair Copying*, 1039-1040, 1043-1044.

<sup>1036</sup> Section 4(3)(b) and (c) German Act Against Unfair Competition.

## 4.2 Unfair Free-riding

Prior to partial harmonization at EU level, protection against unfair free-riding – in the sense of a broad misappropriation doctrine covering the evocation of a competitor’s products, services or other commercial achievements – has already been an element of continental-European legal traditions.<sup>1037</sup> Repercussions of these national traditions impacted the evolution of harmonized EU law. Article 4(f) MCAD, for instance, bans comparative advertising that takes unfair advantage of “the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products.” Trademarks with a reputation enjoy protection against acts that take unfair advantage of the mark’s distinctive character or repute.<sup>1038</sup>

Discussing the concept of “parasitism” in the context of EU trademark law, the CJEU explained that it covers cases where, by reason of a transfer of the trademark image or evocation of product characteristics, “there is clear exploitation on the coat-tails of the mark with a reputation.”<sup>1039</sup> More specifically, this protection is available when a third party calls to mind the mark with a reputation<sup>1040</sup> and attempts to ride on the coat-tails of that mark “in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark...”<sup>1041</sup>

The inclusion of protection against unfair free-riding in specific intellectual property legislation, such as trademark law, raises the question in which circumstances there is room for comparable protection following from general unfair competition law.<sup>1042</sup> Developments in EU Member States show that an action based on unfair competition is only possible in exceptional circumstances. Under Dutch law, for instance, it has been recognized that an achievement not falling within the province of intellectual property law may enjoy protection against unfair free-riding if it can be put on a par with a creative or inventive effort eligible for intellectual property protection.<sup>1043</sup> In practice, however, the question of comparability is hardly ever answered in the affirmative. In *KNVB/NOS*, for instance, the Dutch Supreme Court held that the organization of premier league and national football competitions for professional clubs did not constitute an achievement equivalent to the effort necessary to obtain an intellectual property right.<sup>1044</sup>

Developments in other EU Member States confirm the exceptional nature of protection. The German case *Hartplatzhelden.de* concerned an advertisement-based website for sharing video clips of remarkable scenes of amateur football matches.<sup>1045</sup> As one of Germany’s

<sup>1037</sup> For a discussion of the scope of national legislation covering the unfair “appropriation of merits”, see Italian Supreme Court, Cass. 13 July 2021, case 19954. Cf. Ansgar Ohly, “Is the Unauthorised Commercial Exploitation of Sports Events Unfair?”, in: Martin Senftleben, Joost Poort et al. (eds.), *Intellectual Property and Sports – Essays in Honour of Bernt Hugenholtz*, The Hague/London/New York: Kluwer Law International 2021, 197 (200).

<sup>1038</sup> Article 9(2)(c) EUTMR; Article 10(2)(c) TMD.

<sup>1039</sup> CJEU, 18 June 2009, case C-487/07, ECLI:EU:C:2009:378, L’Oréal/Bellure, para. 41.

<sup>1040</sup> CJEU, 23 October 2003, case C-408/01, Adidas/Fitnessworld, ECLI:EU:C:2003:582, para. 29.

<sup>1041</sup> CJEU, 18 June 2009, case C-487/07, ECLI:EU:C:2009:378, L’Oréal/Bellure, para. 49.

<sup>1042</sup> Cf. Annette Kur, “(No) Freedom to Copy? Protection of Technical Features under Unfair Competition Law”, in: Martin Adelman, Robert Brauneis, Josef Drexl and Ralph Nack (eds.), *Patents and Technological Progress in a Globalized World*, Berlin: Springer 2009, 521 (522).

<sup>1043</sup> Dutch Supreme Court (*Hoge Raad*), 27 June 1986, ECLI:NL:PHR:1986:AD7158, Holland Nautica/Decca, *Nederlandse Jurisprudentie* 1987, 191, para. 4.2; Dutch Supreme Court (*Hoge Raad*), 20 November 1987, ECLI:NL:HR:1987:AD0056, Staat/Den Ouden, *Nederlandse Jurisprudentie* 1988, 311.

<sup>1044</sup> Dutch Supreme Court (*Hoge Raad*), 23 October 1987, ECLI:NL:HR:1987:AD0055, Koninklijke Nederlandse Voetbalbond/Nederlandse Omroep Stichting, *Nederlandse Jurisprudentie* 1987, 310, para. 5.1. Cf. Asser Institute and Institute for Information Law, *Study on Sports Organisers’ Rights in the European Union*, Amsterdam/The Hague 2014, 35-36, available at [https://www.asser.nl/media/2624/final-report\\_sor-2014.pdf](https://www.asser.nl/media/2624/final-report_sor-2014.pdf).

<sup>1045</sup> German Federal Supreme Court (*Bundesgerichtshof*), 28 October 2010, case I ZR 60/09, “Hartplatzhelden.de”, *Gewerblicher Rechtsschutz und Urheberrecht* 2011, 436, para. 1-3.

regional football associations sued the website operators for profiting unfairly from its organizational and training efforts, the German Federal Supreme Court discussed the question whether protection could follow from the general ban of unfair commercial practices in German unfair competition law.<sup>1046</sup> It concluded that this was only conceivable if strict conditions were fulfilled. Alternative protection avenues, such as intellectual property rights, had to prove insufficient. Protection had to be necessary to ensure continued investment in the claimant's organizational activities. Finally, the Court weighed the claimant's protection interests against those of the website operator and the general public.<sup>1047</sup> In the light of these criteria, no need for protection on the basis of unfair competition law was found. The amateur clubs could invoke their house right to control stadium access and video recordings.<sup>1048</sup> As the website was an important source of information with regard to amateur football matches, the freedom of information of platform users and the public interest in freedom of competition tipped the scales against a finding of unfair free-riding.<sup>1049</sup>

The exceptional nature of protection against misappropriation has also been confirmed in court decisions concerning ambush marketing. In *FFR/Fiat*, the French Supreme Court dealt with an advertising campaign for the Fiat 500 in which the car producer alluded to a rugby match between France and England in the Six Nations Championship and an upcoming match between France and Italy.<sup>1050</sup> Invoking protection against parasitic competition in French unfair competition law,<sup>1051</sup> the French Rugby Federation argued that Fiat had unfairly exploited its efforts, investments and notoriety. The Court, however, emphasized that Fiat had merely reproduced a publicly known game result and future match. The use of such facts could not be qualified as an unfair activity capturing the economic flow resulting from the rugby tournament.<sup>1052</sup> The Court also rejected allegations of causing confusion. Fiat had not given the impression of being an official sponsor.<sup>1053</sup>

#### 4.3 Protection of Trade Secrets

With TSD adoption in 2016, detailed harmonized rules have emerged in the area of trade secret protection.<sup>1054</sup> In line with Article 39(2) TRIPS, Article 2(1) TSD defines "trade secret" as information that (a) is secret in the sense of not being generally known within relevant circles; (b) has commercial value because it is secret; (c) has been subject to reasonable steps to keep it secret. The circle of trade secret holders entitled to invoke protection encompasses not only the original developer of the know-how but also any other natural or legal person "lawfully controlling a trade secret,"<sup>1055</sup> such as licensees with access to the secret in the framework of research, production or distribution agreements. The scope of protection covers the

- unlawful acquisition following from conduct that is contrary to honest commercial practices, in particular unauthorized access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files revealing the secret information;<sup>1056</sup>

<sup>1046</sup> Section 3(1) German Act Against Unfair Competition.

<sup>1047</sup> German Federal Supreme Court, *id.*, 24-28. Cf. Ohly, *Exploitation of Sports Events*, 200-202.

<sup>1048</sup> German Federal Supreme Court, *id.*, 24 and 27.

<sup>1049</sup> German Federal Supreme Court, *id.*, 25 and 27.

<sup>1050</sup> French Supreme Court (*Cour de cassation*), 20 May 2014, ECLI:FR:CCASS:2014:CO00515, Fédération française de rugby/Fiat, premier moyen.

<sup>1051</sup> Article 1240 Code Civil. Cf. Sylvie Nérison, "France", in: Frauke Henning-Bodewig (ed.), *International Handbook on Unfair Competition*, Munich: C.H. Beck 2013, 207 (§ 11), para. 62-69.

<sup>1052</sup> French Supreme Court, *id.*, premier moyen.

<sup>1053</sup> French Supreme Court, *id.*, second moyen.

<sup>1054</sup> As to previous national approaches based on general tort law, see for example Dutch Supreme Court (*Hoge Raad*), 31 January 1919, case ECLI:NL:HR:1919:AG1776, Lindenbaum/Cohen, *Nederlandse Jurisprudentie* 1919, 161.

<sup>1055</sup> Articles 2(2) and 4(1) TSD.

<sup>1056</sup> Article 4(2) TSD.

- unlawful use or disclosure by a person who has acquired the trade secret unlawfully; breaches a confidentiality agreement or any other duty not to disclose the trade secret; or breaches a contractual or any other duty to limit the use of the trade secret.<sup>1057</sup>

In this context, “infringing goods” are defined as “goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed.”<sup>1058</sup> This definition can be understood to extend protection beyond observable product features. Arguably, a product is also infringing when secret commercial data, such as information on customers and suppliers, business plans, and market research and strategies,<sup>1059</sup> have been employed for production or marketing purposes.

However, EU trade secret protection also sets forth limits. The acquisition is lawful when it follows from honest commercial practices, such as independent discovery or creation, or reverse engineering based on the observation, study, disassembly or testing of a product or object that has been made available to the public or is lawfully in the possession of a person who is not legally bound to limit the acquisition of the secret.<sup>1060</sup> The exercise of the right to freedom of expression and information, including freedom of the press and pluralism of the media, is exempted from the control of trade secret holders. Moreover, trade secret protection does not affect the privilege of “whistleblowers” to reveal misconduct, wrongdoing or illegal activity, as long as this is done to protect the general public interest.<sup>1061</sup>

#### 4.4 *New Rules for Modern Technologies*

In the area of new technologies and related marketing tools, the discussion on keyword advertising in EU trademark and unfair competition law has shown that additional transparency measures may be necessary to ensure fair behavior and a well-functioning marketplace. In *Google/Louis Vuitton*, the CJEU held that keyword advertising amounted to trademark infringement when the advertising message, while not suggesting the existence of an economic link, is vague to such an extent on the origin of advertised goods or services that normally informed and reasonably attentive internet users are unable to determine, on the basis of the advertising link and the commercial message attached thereto, whether the advertiser is a third party or economically linked to the trademark proprietor.<sup>1062</sup> This decision points towards a shift from proof of likely confusion by the claimant to a positive obligation on the defendant to secure market transparency.<sup>1063</sup>

Specific transparency rules have also evolved with regard to influencer marketing. The German Federal Supreme Court, for instance, held that the commercial purpose of an advertising contribution which an influencer published in social media for the benefit of a third party company could not be inferred from the fact that the influencer could be expected to act not only for purely private purposes but also for the benefit of her own company. It could not be deemed sufficient that a commercial purpose was apparent from the circumstances.

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<sup>1057</sup> Article 4(3) TSD.

<sup>1058</sup> Article 2(4) TSD.

<sup>1059</sup> Recital 2 TSD.

<sup>1060</sup> Article 3(1)(a) and (b) TSD.

<sup>1061</sup> Article 5(a) and (b) TSD.

<sup>1062</sup> CJEU, 23 March 2010, cases C-236/08-238/08, *Google France and Google/Louis Vuitton et al.*, para. 90; CJEU, 25 March 2010, case C-278/08, *BergSpechte/Trekking.at*, para. 36 and 38-40.

<sup>1063</sup> Martin Senftleben, “Adapting EU Trademark Law to New Technologies – Back to Basics?”, in: Christophe Geiger (ed.), *Constructing European Intellectual Property*, Cheltenham: Edward Elgar 2013, 137 (162-163); Ansgar Ohly, “Keyword Advertising auf dem Weg zurück von Luxemburg nach Paris, Wien, Karlsruhe und Den Haag”, *Gewerblicher Rechtsschutz und Urheberrecht* 2010, 776 (780); Nicole van de Laan, “Die markenrechtliche Lage des Keyword Advertising”, in: J. Taeger (ed.), *Digitale Evolution – Herausforderungen für das Informations- und Medienrecht*, Oldenburg: Oldenburger Verlag für Wirtschaft, Informatik und Recht 2010, 597 (605).



Instead, the influencer had to actively ensure that consumers could identify any commercial purpose at first sight and without any doubt. As to the existence of a commercial purpose, the Court clarified that influencer posts could be deemed commercial when they displayed an “advertising surplus” going beyond a regular private comment on positive product experiences. For a relevant advertising surplus, it was usually sufficient that the influencer added a hyperlink to the website of the manufacturer whose product she had depicted in a social media publication, even if the purchase of products was not directly possible on the linked page of the manufacturer.<sup>1064</sup>

The increasing use of targeted advertising and algorithmic marketing tools may also lead to specific transparency and information obligations.<sup>1065</sup> In its Proposal for a Digital Services Act (“DSA”),<sup>1066</sup> the European Commission highlighted the need for transparency and information obligations to arrive at accountable digital services,<sup>1067</sup> ensure a fair environment for economic operators<sup>1068</sup> and empower consumers.<sup>1069</sup> According to the DSA Proposal, platforms, such as online marketplaces, must ensure that platform users receive information enabling them to understand when and on whose behalf an advertisement is displayed, and which parameters are used to direct advertising to them, including meaningful explanations of the logic underlying systems for targeted advertising.<sup>1070</sup>

## P. UNITED KINGDOM\*

### 1. Legislative Framework

The United Kingdom (UK) lacks a unified legal basis for protection against unfair competition. There is no single statutory point of reference, or a discrete tort of unfair competition. This has led to assertions that ‘there is no English law of unfair competition’<sup>1071</sup> or that in the UK, this field ‘must, to a great extent, be considered “*terra incognita*”’.<sup>1072</sup> While there is admittedly no single source in tort or legislation, the UK offers up an unfair competition menu consisting of individual torts or equitable wrongs (primarily passing off, injurious falsehood, defamation, and the breach of confidence), the prohibition of misleading practices under consumer protection law, trade mark law, and codes of advertising regulation.<sup>1073</sup>

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<sup>1064</sup> German Federal Supreme Court, 9 September 2021, case I ZR 90/20, “Influencer I”, *Gewerblicher Rechtsschutz und Urheberrecht* 2021, 1400 (1400).

<sup>1065</sup> Stefan Scheuerer, “Artificial Intelligence and Unfair Competition – Unveiling an Underestimated Building Block of the AI Regulation Landscape”, *Gewerblicher Rechtsschutz und Urheberrecht – International* 2020, 1 (3-4).

<sup>1066</sup> European Commission, 15 December 2020, *Proposal for a Regulation of the European Parliament and of the Council on a Single Market For Digital Services (Digital Services Act) and amending Directive 2000/31/EC*, Document COM(2020) 825 final 2020/0361.

<sup>1067</sup> European Commission, id., Explanatory Memorandum, 1-2.

<sup>1068</sup> European Commission, id., Explanatory Memorandum, 5-7.

<sup>1069</sup> European Commission, id., Explanatory Memorandum, 9. As to further proposals to reduce consumer vulnerability in the digital environment, see Natali Helberger, Orla Lynskey, Hans-Wolfgang Micklitz et al., *EU Consumer Protection 2.0 – Structural Asymmetries in Digital Consumer Markets*, Brussels: BEUC 2021, 78-79.

<sup>1070</sup> European Commission, id., Articles 24 and 30; Recitals 52 and 63.

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<sup>1071</sup> Rogier W. De Vrey, *Towards a European Unfair Competition Law: A Clash between Legal Families* (Martinus Nijhoff, The Hague 2006) 4.

<sup>1072</sup> F. K. Beier ‘The Law of Unfair Competition in the European Community: Its Development and Present Status’ [1985] *International Review of Intellectual Property and Competition Law* 139, 161.

<sup>1073</sup> R. Arnold, ‘English Unfair Competition Law’ [2013] *International Review of Intellectual Property and Competition Law* 63; J. Davis, ‘Unfair Competition: The United Kingdom’, in F. Henning-Bodewig (ed), *International Handbook on Unfair Competition* (C H Beck : Hart, 2013), 600.

In terms of their cumulative coverage, these regimes overlap considerably with the protection available under civilian unfair competition regimes. It is therefore more accurate to say that the UK has *laws* against unfair competition.

Besides a possible lack of coherence, there are three consequences which flow from this approach. First, doubts are periodically expressed as to whether the UK complies with the general prohibition against unfair competition contained in Article 10*bis*(1) and (2) PC.<sup>1074</sup> Drawing on the text, context, purpose and negotiating history of Article 10*bis*, the UK has consistently argued (unopposed) at successive revision conferences that its various domestic regimes satisfy this obligation. In fact, the UK was one of the original proponents of this provision.<sup>1075</sup> Apart from the three mandatory categories in Article 10*bis*(3), the drafting history of this provision confirms that the intention was to defer to national legal approaches as regards both the form and content of unfair competition law.<sup>1076</sup> Since the TRIPS Agreement, via Article 2.1, now incorporates Article 10*bis* PC, the recent *Australia – Plain Packaging* WTO panel report provides additional clarity as regards the general obligation.<sup>1077</sup> Article 10*bis*(1) calls for ‘effective protection’ against unfair competition, but does not specify the form or means of protection.<sup>1078</sup> The panel report also specifies that unfair competition in Article 10*bis*(2) refers ‘to something that is done by a market actor to compete against other actors in the market in a manner that is contrary to what would usually or customarily be regarded as truthful, fair and free from deceit *within a certain market*’ (emphasis added).<sup>1079</sup> Therefore any such objective determination of unfairness must be locally anchored, as a matter of national law.<sup>1080</sup> Thus ‘WTO Members are required not only to prohibit the three specific types of acts identified in paragraph 3 of Article 10*bis*, but also to provide effective protection against all acts falling more generally within the scope of its paragraph 2... [however] the scope of other practices in industrial and commercial matters against which [any Member] is bound to assure effective protection needs to be considered in the context of the legal systems and conceptions of what constitutes an act contrary to what would usually or customarily be regarded as truthful, fair and free from deceit within the domestic market at issue’.<sup>1081</sup> Whilst open to comparative or multilateral influences, the question of what constitutes unfairness is inevitably answered domestically.

The second implication of this disaggregated approach is to look beyond civil remedies. The UK has historically opted for criminal law sanctions, as a means of ‘effective protection’. This was notably given effect by the Merchandise Marks Acts 1887 to 1953. This regime *inter alia* allowed government departments or local authorities to prosecute false and misleading trade descriptions on goods and the wrongful application of trade marks. Prosecutions could also be initiated on the receipt of complaints from legitimate traders or consumers.<sup>1082</sup> During this period, the absence of a system of local courts able to provide affordable and speedy access to civil justice and the belief that effectively stamping out fraud required criminal liability have been offered as explanations.<sup>1083</sup> It serves as a reminder that penal sanctions form part of the

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1074 See for e.g. *L’Oréal SA & Ors v Bellure NV & Ors* [2007] EWCA Civ 968, [135]-[142] (Jacob LJ) (Rejecting the argument that the tort of passing off ought to be expanded, beyond misrepresentation to include misappropriation, to fulfill international obligations under the Paris Convention).

1075 C. Wadlow, *Wadlow on the Law of Passing Off*, 6th ed (Sweet & Maxwell 2021), Ch. 2.

1076 GHC Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property* (Bureau de l’Union, 1968) 142-148; Wadlow, *Passing Off*, 54-78; S Ricketson, *The Paris Convention for the Protection of Industrial Property: A Commentary* (OUP, 2015), [13.33]-[13.59].

1077 Panel Report, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging* (Australia—Tobacco Plain Packaging), WT/DS458/R, WT/DS457/R (circulated 28 June 2018, adopted 27 August 2018). This aspect was not appealed to the appellate panel: WT/DS435/AB/R and WT/DS441/AB/R (9 June 2020).

1078 *Ibid*, [7.2663]

1079 *Ibid*, [7.2667];

1080 *Ibid*, [7.2672]-[7.2675].

1081 *Ibid*, [7.2679].

1082 Reviewed in the Final Report of the Committee on Consumer Protection, 1962 (Cmnd. 1781) [573]-[725].

1083 Wadlow, *Passing Off*, 56-57.

mix of unfair competition measures, alongside civil proceedings, administrative measures and self-regulation codes.<sup>1084</sup> An exploration of the implementation of Article 10bis PC in the UK which focuses solely on civil claims, thus, misses this important dimension.

The third consequence is that there is no overarching theoretical framework for unfair competition law in the UK, since each regime within this menu will have its own rationale and priorities. It is widely recognised that 'protection against unfair competition serves to protect competitors as well as consumers, together with the public interest [in well-functioning markets]'.<sup>1085</sup> As the remaining sections of this report will detail, different regimes within the UK's menu respond to these three sets of interests to different degrees. While the tort of passing off recognises a trader's proprietary interest in their commercial goodwill, consumer protection regimes overtly prioritise consumer interests and the quality of information available to them. The protected constituency for each regime in turn manifests in rules on standing, or the ability to bring a claim. Traders are not recognised as directly affected parties under consumer protection regimes, while consumers cannot bring a claim in passing off.

From an IP perspective, this is helpful as a method of distinguishing between the province of 'pure' consumer protection law and those unfair competition rules which allow traders to bring claims to protect valuable intangibles, such as their trade secrets or their market reputation. It is also a reminder that not every regime which fits within the broad umbrella category of unfair competition law is necessarily relevant from an IP perspective. One competitor bribing another's agents or employees, or systematically inducing the breach of contractual agreements might constitute recognised acts of unfair competition without any valuable intangible being directly affected.<sup>1086</sup> Thus what is the object of protection (valuable intangibles?) and who can bring a claim in relation to which interests (traders? consumers? market regulators or other administrative agencies?) are useful questions for identifying the sub-set of unfair competition rules within a jurisdiction that have 'IP significance'. Accordingly, this report focuses on commercial parties initiating unfair competition claims to protect intangible interests, as a supplement to IP law.

## 2. Honest Practices in Industrial or Commercial Matters

Since the UK has no single source of unfair competition law, it lacks a general prohibition against competitive acts 'contrary to honest practices in industrial or commercial matters'. There is a clear preference for defined causes of action, with their own qualifying criteria and limits.<sup>1087</sup> The UK's former status as an EU Member did not change this situation, since only selective aspects of business-to-consumer relations (prioritising unfair commercial practices) and business-to-business relations (prioritising misleading and comparative advertising) were harmonised.<sup>1088</sup> In relation to civil claims, one commentator notes:

The common law having no general tort of unfair competition, the economic torts represent its chosen method to attack excessive (rather than simply aggressive) competition or economic endeavour, whether through diversion of custom or attacks on commercial links.<sup>1089</sup>

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1084 WIPO, *Protection against Unfair Competition: Analysis of the Present World Situation* (1994), 69-81.

1085 WTO Panels, *Australia – Plain Packaging*, [7.2680]. See also Recital 21 of the EU 'Rome II' Regulation No 864/2007 on the Law Applicable to Non-Contractual Obligations ('In matters of unfair competition, the conflict-of-law rule should protect competitors, consumers and the general public and ensure that the market economy functions properly').

1086 WIPO, *World Situation*, 68.

1087 This can be traced to more particularized, facts-and-harm specific approach to torts in the common law tradition, as opposed to a more abstract and principled approach under civil law. Gerhard Wagner, 'Comparative Tort Law' in Mathia Reimann & Reinhard Zimmermann (eds), *The Oxford Handbook of Comparative Law* (OUP, 2006), 1005.

1088 See Senftleben, EU Report, section O.1. See also Christopher Wadlow 'The Emergent European Law of Unfair Competition and its Consumer Law Origins' (2012) *Intellectual Property Quarterly* 1.

1089 H. Carty, *An Analysis of the Economic Torts* (OUP, 2010), 2.

They include the torts of inducing breach of contract, the causing loss by unlawful means tort, intimidation, lawful means conspiracy (where defendants combine to perform harmful but otherwise lawful acts), unlawful means conspiracy (where defendants combine to perform unlawful acts), deceit and malicious falsehood, as well as passing off. From an IP perspective, passing off is widely considered the most prominent tort, which responds to unfair competition by misrepresentation as to the origin of products (see section 3.1 below).

However there have been periodic attempts since the 1960s to expand passing off beyond the limitations of a tort anchored in misrepresentation, into a broader tort of unfair competition.<sup>1090</sup> More specifically it has been argued that courts should recognise claims against misappropriation or free riding, even in the absence of misrepresentation.<sup>1091</sup> In this sense, a 'tort of unfair competition' is synonymous with misappropriation prevention but still falls short of an open-ended general clause found in French tort law or German legislation. Notwithstanding some hints at judicial receptiveness, the Privy Council in *Cadbury Schweppes v. Pub Squash*<sup>1092</sup> concluded that the early cases which referenced 'unfair competition' ultimately hinged on misdescription in relation to a class of products (e.g. 'Spanish Champagne') as opposed to misrepresenting commercial source. In other words, they addressed a new form of misrepresentation relating to a product's characteristics. Subsequent decisions have confirmed that passing off ought not to be extended into a broader tort against misappropriation or merely copying another's effort:

There is no tort of copying. There is no tort of taking a man's market or customers. Neither the market nor the customers are the plaintiff's to own. There is no tort of making use of another's goodwill as such. There is no tort of competition... At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular... Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition.<sup>1093</sup>

[The] law of passing off is not designed to protect a person against fair competition. Nor does it protect a person against the sale by others of the same goods or even copied goods. What it protects is goodwill and it prevents one person passing off his goods or services as those of another.<sup>1094</sup>

It is also necessary to bear in mind the balancing exercise underlying the law of passing off, [described] as "a compromise between two conflicting objectives, on the one hand the public interest in free competition, on the other the protection of a trader against unfair competition by others"... Apart from the rather narrower point that passing off must involve detriment to the claimant, it is not enough for a claimant to establish copying to succeed. All developments, whether in the commercial, artistic, professional or scientific fields, are made on the back of other people's ideas: copying may often be an essential step to progress.<sup>1095</sup>

This resistance to the expansion of passing off into a broader tort of misappropriation illustrates the general approach of the common law, which favours the protection of specific interests and avoids open-ended prohibitions. There are a few key reasons for this. First, there is the tendency of tort law to develop incrementally and by analogy with existing actions.<sup>1096</sup>

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1090 British courts have occasionally appeared sympathetic in the past. See for example, *Vine Products Ltd. v. MacKenzie & Co Ltd* [1969] R.P.C. 1, 23 (Describing passing off's expansion 'into the unmapped area of "unfair trading" or "unlawful competition"); *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 696, [70]-[71] (The comments of Aldous LJ, albeit obiter, favoured an expansion). G. Dworkin, 'Unfair Competition: Is the Common Law Developing a New Tort' [1979] EIPR 242.

1091 M. Spence, 'Passing Off and the Misappropriation of Valuable Intangibles' [1996] LQR 472.

1092 [1981] RPC 429, 461-464.

1093 *Hodgkinson & Corby Ltd v Wards Mobility Ltd* [1994] 1 WLR 1564, 1569-1570 (Jacob J).

1094 *Robyn Rihanna Fenty v Arcadia Group Brands Ltd* [2015] EWCA Civ 3, [33] (Kitchin LJ).

1095 *Starbucks (HK) Ltd & Anor v British Sky Broadcasting Group Plc & Ors* [2015] UKSC 31, [61] (Neuberger J).

1096 Carty, *Analysis of the Economic Torts*, 8.

Imposing a (non-consensual) obligation via tort inhibits the autonomy of the party on whom such a duty is imposed. To the extent that copying should be prevented or new forms of injury recognised, parliament is considered better placed to intervene through bespoke and balanced legislation, such as the various IP statutes. Second, there is the concern that an open-ended action will inhibit free and fair competition, as illustrated by the judicial extracts above. The belief 'is that there is generally more to be lost than gained if the courts were to take it on themselves to impose arbitrary and possibly idiosyncratic restrictions on an individual trader's freedom to compete, whether ad hoc to meet a specific situation, or in the name of some vague but supposedly overarching principle such as "fairness"'.<sup>1097</sup> Third, there is the institutional dimension; namely, judicial reluctance to be handed the responsibility to make such determinations about acceptable marketplace conduct, since effective competition invariably causes economic losses for some parties.<sup>1098</sup> 'The common law has traditionally been reluctant to become involved in devising rules of fair competition... It has largely left such rules to be laid down by Parliament'.<sup>1099</sup> Viewed cumulatively, this explains why common law jurisdictions lack a general, open-ended provision against unfair competition. This reluctance to adopt a general principle has its critics, who argue that flexibility is a virtue. In its absence, courts questionably stretch the boundaries of passing off by recognising far-fetched misrepresentations and new forms of damage, thereby indirectly acknowledging misappropriation claims.<sup>1100</sup> However the status quo also has its staunch supporters, who value the freedom to copy and compete in the absence of meaningful harm.<sup>1101</sup>

### 3. Implementation of Specifically Prohibited Acts

With regard to the specifically enumerated acts listed in Art. 10*bis*(3) PC, UK law has options for preventing confusion (3.1), discrediting and denigrating allegations (3.2) and misleading practices (3.3). The following survey does not include IP rights such as trade mark law, which is otherwise relevant for preventing confusion.<sup>1102</sup>

#### 3.1 *Creating Confusion*

The tort of passing off is the primary response to the obligation in Article 10*bis*(3), No. 1 PC, to prohibit 'acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor'. It has been described as 'the law of unregistered trade marks'.<sup>1103</sup> It 'can be summarised in one short general proposition – no man may pass off his goods as those of another'.<sup>1104</sup> A successful claim requires the 'classical trinity' of elements to be established: (1) goodwill that is protected against (2) a misrepresentation which (3) causes actual damage, or potentially might do so.<sup>1105</sup> Misrepresentation forms the core of this tort, with judges having resisted entreaties to recognise dilution or misappropriation as stand-alone substitutes for it.

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<sup>1097</sup> Wadlow, *Emergent European Law*, 3.

<sup>1098</sup> *Mogul v McGregor Gow* (1889) L.R. 23 QBD 598, 625-626 (CA) (Fry LJ) ('To draw a line between fair and unfair competition, between what is reasonable and unreasonable, passes the power of the Courts').

<sup>1099</sup> *OBG Ltd v Allan* [2007] UKHL 21, [56] (Hoffmann L).

<sup>1100</sup> J Davis 'Why the United Kingdom Should Have a Law Against Misappropriation' [2010] CLJ 561

<sup>1101</sup> H Carty 'The Common Law and the Quest for the IP Effect' [2007] *Intellectual Property Quarterly* 237; C Wadlow 'Rudolf Callmann and the Misappropriation Doctrine in the Common Law of Unfair Competition' [2011] *Intellectual Property Quarterly* 111.

<sup>1102</sup> See the Trade Marks Act 1994.

<sup>1103</sup> Davis, *The United Kingdom*, 600. For the history of this relationship, see Bently, L Bently, 'From Communication to Thing: Historical Aspects of the Conceptualization of Trade Marks as Property' in GB Dinwoodie and MD Janis (eds), *Trade Mark Law and Theory: A Handbook of Contemporary Research* (Edward Elgar, 2008) 1.

<sup>1104</sup> *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491, 499 (Lord Oliver).

<sup>1105</sup> *Ibid*; See also *Warnink (Erven) BV v Townend and Sons Ltd* [1979] AC 731 (HL) ('Advocaat') for a more elaborate version of the test.

There ‘must be customer reliance, based on the defendant’s misrepresentation which harms the goodwill of the claimant’.<sup>1106</sup>

Turning to the first element, goodwill is recognised as the protected interest in passing off. Lord MacNaghten memorably described it as ‘the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force that brings in business ... goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business’.<sup>1107</sup> Crucially, it is recognised as a form of intangible property that is harmed by the defendant’s misrepresentation.<sup>1108</sup> It is this proprietary interest that enables the affected trader, as opposed to a deceived consumer, to bring a claim. A broad range of indicia can function as protectable symbols of this proprietary interest, including trade names, logos, trade dress, and even aspects of celebrity image.<sup>1109</sup> While dissenting voices exist, the conventional orthodoxy is that goodwill is not the same as mere reputation and the latter will not suffice. Thus UK courts adhere to the position that ‘an undertaking which seeks to establish goodwill in relation to a mark for goods cannot do so, however great may be the reputation of [its] mark in the UK, unless it has customers among the general public in the UK for those products’.<sup>1110</sup> This issue has divided common law jurisdictions. Some courts recognise a ‘spillover’ or trans-border reputation *per se* as a sufficient basis for a claim, despite no trading activity in the relevant jurisdiction while others adhere to the historic requirement for such trading activity.<sup>1111</sup>

The wrongful conduct at the heart of passing off is misrepresentation. This is a more demanding standard than mere confusion. It calls for *materiality*, where relevant confusion on the part of the purchasing public has effects on their economic behaviour, giving rise to damage.<sup>1112</sup> The paradigm case is that of source confusion: as a result of trader B’s misrepresentation the public thinks that her products are those of trader A. The misrepresentation can take various forms, with trader B using a similar or identical mark or logo to A’s on her goods – along the lines of trade mark infringement – or more subtle behaviours, such as providing B’s goods when asked for A’s or adopting a misleading marketing method to create source confusion.<sup>1113</sup> Variations in the nature of misrepresentation have given rise to sub-categories of passing off, as the following two strands illustrate. The first is extended passing off, which describes ‘a line of cases stretching back nearly 50 years in which suppliers of products of a particular description have sought to restrain rival traders from using that description, or a confusingly similar term, in relation to goods which do not correspond to that description’.<sup>1114</sup> Unlike conventional passing off, the misrepresentation here relates not to a specific commercial source but to membership in a product class, which suggests that the product has certain qualities. Consequently using ‘Swiss Chalet’ on chocolate not made in Switzerland in accordance with a Swiss recipe was found to be an actionable misrepresentation.<sup>1115</sup> Prominently deployed in disputes concerning Champagne and Scotch whisky, extended passing off is a viable strategy for protecting geographical indications in common law jurisdictions.<sup>1116</sup> The second variant is sponsorship or affiliation

<sup>1106</sup> H Carty, *An Analysis of the Economic Torts*, 2nd ed (OUP, 2010) 266.

<sup>1107</sup> *Commissioner of Inland Revenue v Muller & Co’s Margarine Ltd* [1901] AC 217, 223 (HL).

<sup>1108</sup> RG Bone, ‘Hunting Goodwill: A History of the Concept of Goodwill in Trade Mark Law’ (2006) 86 *Boston University Law Review* 547.

<sup>1109</sup> *Fenty & Ors v Arcadia Group Brands Ltd & Anor* [2013] EWHC 2310 (Ch); Affirmed, [2015] EWCA Civ 3 (Recognising goodwill in the globally renowned music star Rihanna’s image as depicted in photographs, which were used on a t-shirt without authorisation).

<sup>1110</sup> As confirmed in *Hotel Cipriani SRL v Cipriani (Grosvenor Street)* [2010] EWCA Civ 110 at [106] (Lloyd, LJ).

<sup>1111</sup> The diverging authorities are reviewed in *Starbucks (HK) Ltd & Anor v British Sky Broadcasting Group PLC & Ors* [2015] UKSC 31. For an extended critique, see C Ng, *Goodwill in Passing Off* (Edward Elgar, 2021).

<sup>1112</sup> For e.g. *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch) (No material misrepresentation).

<sup>1113</sup> Wadlow, *Passing Off*, Chapter 5 and 7.

<sup>1114</sup> *Diageo v Intercontinental Brands* [2010] EWHC 17 at [1] (Arnold J).

<sup>1115</sup> *Chocosuisse Union des Fabricants Suisses de Chocolat v. Cadbury Ltd* [1998] RPC 117, 127 (Ch D); affirmed [1999] RPC 826 (CA).

<sup>1116</sup> DS Gangjee, ‘Spanish Champagne: An Unfair Competition Approach to GI Protection’ in RC Dreyfuss & JC Ginsburg (eds), *Intellectual Property at the Edge: The Contested Contours of IP* (CUP, 2014) 105.

confusion, where some of the leading cases relate to celebrity endorsement or merchandising.<sup>1117</sup> The misrepresentation must lead customers to believe that the (usually famous) claimant has authorised the defendant's conduct, suggesting a licensing agreement or some other form of commercial association.

The third element of the tort requires damage arising from this misrepresentation. The most conventional head of damage is loss of sales arising from the confusion. While it can be evidenced, it may also be presumed, as 'the injury which is inherently likely to be suffered by any business when on frequent occasions it is confused by customers or potential customers with a business owned by another proprietor or is wrongly connected with that business'.<sup>1118</sup> Beyond this paradigmatic form of harm, more compelling evidence is usually required to substantiate the following claims of damage:<sup>1119</sup>

- the devaluation of reputation (e.g. where inferior goods are being passed off as those of the claimant, or the defendant's business has an image incompatible with the claimants);
- restricting the potential to expand into a new area of business, where the expansion is likely;
- (more tentatively) a general 'loss of control' over one's reputation; and
- dilution, also referred to as the erosion of distinctiveness, which must however follow on from misrepresentation. The erosion of distinctiveness is therefore not an independent basis for a claim.

### 3.2 *Discrediting and Denigrating Allegations*

Disparaging or denigrating allegations made by one trader against another are assessed under the tort of malicious or injurious falsehood. Although a separate tort from defamation, it is also referred to as trade libel. Whereas defamation relates to harm to reputation, malicious falsehood relates to damage to a business. Falsely stating that someone has retired from their business may harm the business without necessarily harming their reputation. The loss or damage is usually loss of trade. The tort has three main ingredients: misrepresentation or falsehood, malice and damage.<sup>1120</sup>

The essentials of this tort are that the defendant has published about the plaintiff words which are false, that they were published maliciously, and that special damage has followed as the direct and natural result of their publication. As to special damage, the effect of section 3(1) of the Defamation Act 1952 is that it is sufficient if the words published in writing are calculated to cause pecuniary damage to the plaintiff. Malice will be inferred if it be proved that the words were calculated to produce damage and that the defendant knew when he published the words that they were false or was reckless as to whether they were false or not.<sup>1121</sup>

In terms of the main criteria to be fulfilled, the misrepresentation must be published and refer to the claimant or his business directly or indirectly.<sup>1122</sup> In 'addition to the obvious requirement of objective falsity (and the extrinsic one of malice) the misrepresentation must relate to the claimant's goods, or, more generally, his person, business, establishment or services; and it must be of such a kind as to cause damage of a pecuniary nature, as opposed to damage to the claimant's honour and reputation in the sense protected by the law of defamation'.<sup>1123</sup> Thus misrepresentation and malice are two independent requirements. The former includes false

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<sup>1117</sup> See *Irvine v Talksport* [2002] FSR 60; *Fenty v Arcadia* [2015] EWCA Civ 3.

<sup>1118</sup> *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189 at 202 (Slade, LJ).

<sup>1119</sup> Wadlow, *Passing Off*, Chapter 4.

<sup>1120</sup> Wadlow, *Passing Off*, Chapter 6; Ch 22 of A Tettenborn (ed), *Clerk & Lindsell on Torts* 23rd edn (Sweet and Maxwell, 2021).

<sup>1121</sup> *Kaye v Robertson* [1991] FSR 62 CA; see also *Ratcliffe v Evans* [1892] 2 QB 524 CA.

<sup>1122</sup> *Marathon Mutual Ltd v Waters* [2009] EWHC 1931 (QB).

<sup>1123</sup> Wadlow, *Passing Off*, 373.

allegations that the claimant's goods are spurious, inferior or dangerous.<sup>1124</sup> The latter requires an improper motive, or knowledge or recklessness as to the falsity of the representation being made.<sup>1125</sup> The subjective, intentional element of malice is considered the bottleneck to a successful claim. 'The problem for the prospective claimant, of course, lies in the requirement to prove malice'.<sup>1126</sup> Other reasons for the relatively low profile of this tort include its overlap – in terms of requiring misrepresentation – with passing off, which does not require malice; the emergence of a separate regime to regulate comparative advertising involving unfair comparisons (considered below); and a judicial reluctance to prohibit mere 'puffing', in the form of claiming one trader's goods are better than another's.<sup>1127</sup>

### 3.3 *Misleading Indications or Allegations*

Misleading representations about a trader's own products are regulated under regimes that were largely harmonised under EU law. These continue to operate as retained law in the UK, after Brexit.

Misleading advertising in the business-to-business (B2B) context is regulated by the Business Protection from Misleading Marketing Regulations 2008 (BPR 2008).<sup>1128</sup> This is the domestic implementation of the Misleading and Comparative Advertising Directive.<sup>1129</sup> This regime prohibits misleading B2B advertising, which 'in any way, including its presentation, deceives or is likely to deceive the traders to whom it is addressed or whom it reaches; and by reason of its deceptive nature, is likely to affect their economic behaviour'.<sup>1130</sup> Advertising can be misleading in relation to, for example, characteristics of a product such as its availability, composition, method and date of provision, or uses. Comparative advertising includes any advertisement which identifies a competitor or a competitor's product. It must comply with a list of conditions, including prohibitions against advertising which misleads, does not objectively compare product features, causes confusion among traders (including confusion relating to trade marks), or takes unfair advantage of a trade mark's reputation.<sup>1131</sup> The Regulation is enforced by public authorities, such as trading standards services, which have investigative powers. Enforcement options include criminal prosecutions as well as injunctions and undertakings to secure compliance with the BPR 2008. While some of these activities will constitute trade mark infringement, rights holders will have to persuade public authorities, which operate with constrained resources, to take action.

Misleading conduct in the business-to-consumer (B2C) context is regulated by the Consumer Protection from Unfair Trading Regulations 2008 (UTR 2008).<sup>1132</sup> This was enacted to implement Unfair Commercial Practices Directive (UCPD).<sup>1133</sup> It is noteworthy that the UCPD directly protects consumer interests and only indirectly protects legitimate businesses from misconduct. Forms of unfair competition which harm competitors but not consumers, such as

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<sup>1124</sup> Ibid.

<sup>1125</sup> *Spring v Guardian Assurance Plc* [1993] 2 All E.R. 273 CA. The subsequent House of Lords decisions did not disturb the Court of Appeals' characterisation of malice.

<sup>1126</sup> Arnold, *English Unfair Competition Law*, 75.

<sup>1127</sup> Davis, *The United Kingdom*, 608-609.

<sup>1128</sup> Statutory Instrument (SI) 2008/1276.

<sup>1129</sup> Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, [2006] OJ L376/21. See also Senftleben, Report on the European Union, O.3.3.

<sup>1130</sup> Regulation 3, BPR 2008.

<sup>1131</sup> Regulation 4, BPR 2008. On the significance of this regime for trade mark enforcement, see J Smith and R Montagnon, 'The New Consumer and Business Protection Regulations: Another String to the Brand Owner's Bow?' (2009) 4 JIPLP 33.

<sup>1132</sup> SI 2008/1277.

<sup>1133</sup> 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 [2005] OJ L149/22. See also Senftleben, Report on the European Union, O.3.3.



pure free riding or misappropriation, are beyond its scope.<sup>1134</sup> The UTR 2008 was a significant piece of legislative reform as it effectively replaced twenty-three prior enactments, including much of the Trade Descriptions Act 1968 and parts of the Misrepresentation Act 1967. Many of these enactments have parallels across common law jurisdictions, so this marks a departure from the former UK approach. The UTR imposes a general prohibition on traders in all sectors from engaging in unfair commercial practices with consumers. Specifically, it protects consumers from misleading trading practices and bans misleading omissions as well as aggressive sales tactics. The general tests for misleading or aggressive practices (Regulations 9-11) are supplemented by a Schedule of 31 commercial practices which are, in all circumstances, deemed unfair. This list includes bait and switch advertising, false 'free' offers, and pressure selling. For the general prohibitions, the touchstone is whether the unfair practice would be likely to materially distort decision making, by causing 'the average consumer to take a transactional decision he would not have taken otherwise' (Regulation 5(2)(b)), such as entering into a contract or making a payment. The average consumer (Regulation 2(2)), in turn, is the same hypothetical legal subject or model developed for EU trade mark law.<sup>1135</sup> In certain contexts it may be replaced with more vulnerable categories of consumers (Regulation 2(5)). The UTR 2008 is administratively enforced by public authorities; namely, the Competition and Markets Authority, in partnership with others such as local trading standards bodies. The regime relies on criminal sanctions and (civil) enforcement orders. Since 2014, a private right of redress has been introduced for consumers.<sup>1136</sup> Aggrieved consumers can now unwind a contract, claim a discount on the price paid or claim damages.

Finally, any picture would be incomplete without a mention of self-regulation in the UK, via the Advertising Standards Authority (ASA), which enforces Advertising Codes relating to broadcast and non-broadcast advertising.<sup>1137</sup> When advertising products or services, firms must comply with the rules set out in the Codes. These rules incorporate the prohibitions in the UK Regulations described above. The ASA adjudicates on complaints relating to whether these Codes have been violated, publishing rulings on its website.<sup>1138</sup> Sanctions for non-compliance include referring offenders to statutory regulators such as tradings standards, bad publicity and disqualification from industry awards.

#### 4. Additional Acts of Unfair Competition

Besides the economic torts indicated in this report and the various consumer protection regimes, there is one further action that is directly relevant for the protection of valuable intangibles – the breach of confidence. This action is based on principles of equity and generates an obligation to maintain confidentiality, independent of any contractual relationship.<sup>1139</sup> Trade secrets are a specific form of confidential information. They are protected by the equitable action, but also by a specific statutory regime,<sup>1140</sup> which gives effect to the EU Trade Secrets Directive.<sup>1141</sup> The basis for the equitable claim has been described as follows: '[He] who has received information in confidence shall not take unfair advantage of it.

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<sup>1134</sup> Recitals 6 and 8 of the UCPD.

<sup>1135</sup> G.B. Dinwoodie and D.S. Gangjee, "The Image of the Consumer in European Trade Mark Law" in Dorota Leczykiewicz and Steve Weatherill (eds), *The Image(s) of the Consumer in EU Law* (Hart 2016) 339.

<sup>1136</sup> Consumer Protection (Amendment) Regulations 2014, SI 2014/870.

<sup>1137</sup> See: <https://www.asa.org.uk/>

<sup>1138</sup> See: <https://www.asa.org.uk/codes-and-rulings/rulings.html>

<sup>1139</sup> T Aplin, L Bentley, P Johnson, and S Malynicz, *Gurry on Breach of Confidence: The Protection of Confidential Information* (OUP, 2012).

<sup>1140</sup> Trade Secrets (Enforcement, etc) Regulations 2018, SI 2018/597.

<sup>1141</sup> Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure [2016] OJ L157/1. See also Senftleben, Report on the European Union, O.4.

He must not make use of it to the prejudice of him who gave it without obtaining his consent'.<sup>1142</sup> Breach of this obligation is assessed via a three-part test:<sup>1143</sup>

- the information must itself have the necessary quality of confidence. To determine this, courts will consider whether it is in the public domain or labelled 'secret'. Examples include secret formulae, Google's search algorithms or sensitive financial information;
- that information must have been imparted in circumstances importing an obligation of confidence, which is assessed objectively. This can be imposed by contract but may also arise without any existing contractual relationship. The acquirer should have actual knowledge or constructive notice, implied by the circumstances of disclosure, that the information is confidential (e.g. the special relationship with former employees);
- there must be an unauthorised use of that information to the detriment of the rights holder.

There is a renewed interest in trade secrecy and the breach of confidence more generally, in the context of artificial intelligence and machine learning in particular, where algorithms as well as training data can potentially be protected.<sup>1144</sup>

Rounding off this survey, there is no action for slavish imitation *per se*, in the absence of misrepresentation. Where a product's appearance or packaging have been replicated *and* this is materially misleading, this will be actionable under passing off.<sup>1145</sup> Despite the longstanding laments of those who complain about lookalike or 'me too' packaging, the UK has not recognised any such claim to the copying of a product or its trade dress outside the established categories of IP, such as design or trade mark protection.<sup>1146</sup> Thus 'English law adheres to the view that, in the absence of any applicable intellectual property right and in the absence of consumer confusion, there is no reason to regard slavish copying of a competitor's product as unfair or unlawful. On the contrary, it is beneficial to the consumer. There is little prospect that the common law will change in this respect'.<sup>1147</sup>

## V. SUMMARY AND CONCLUSIONS

Revisiting the discussion points that have been identified above in the light of the international framework for protection (section III.F), the following overview of main findings summarizes the results of the exploration of developments in countries and regions around the world. The overview addresses the legal basis that is used to provide effective protection against unfair competition (section A), the rationales of protection (section B), the interpretation and operationalization of the overarching concept of "honest practices in industrial or commercial matters" laid down in Article 10*bis*(2) PC (section C), the requirements for prohibiting unfair acts falling within a category listed in Article 10*bis*(3) PC (Section D), the identification of additional examples of unfair conduct (section E), the impact of technological developments (section F), and the interplay with the protection of intellectual property rights (section G).

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<sup>1142</sup> *Seager v Copydex* [1967] FSR 211, 220.

<sup>1143</sup> *Coco v AN Clark (Engineers) Ltd* [1968] FSR 415.

<sup>1144</sup> S.K. Sandeen and T Aplin, 'Trade Secrecy, Factual Secrecy and the Hype Surrounding AI' in R. Abott (ed), *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar, 2022 forthcoming).

<sup>1145</sup> For e.g. *Moroccanoil Israel Ltd v Aldi Stores Ltd* [2014] EWHC 1686 (IPEC) (No misrepresentation where lookalike packaging for hair oil was adopted by a major supermarket chain).

<sup>1146</sup> Don Edwards and Associates, *A study into the impact of similar packaging on consumer behaviour* (British Brands Group, 2009); P Johnson, J Gibson and J Freeman, *The Impact of Lookalikes: Similar packaging and fast-moving consumer goods* (UKIPO Report 2013/18).

<sup>1147</sup> Arnold, *English Unfair Competition Law*, 77.

## A. LEGAL BASIS OF PROTECTION

As indicated in section III.F, a first question that arises with regard to national and regional initiatives to implement protection against unfair competition concerns the legal basis that is chosen for this purpose. The international obligation to assure effective protection, laid down in Article 10bis(1) PC, does not necessarily require the enactment of specific legislation.<sup>1148</sup> As the WTO Panels in *Australia – Plain Packaging* noted in respect of the incorporation of Article 10bis PC into the TRIPS Agreement by virtue of the reference made in Article 2(1) TRIPS, WTO Members are free to determine “how best to meet their obligations under the TRIPS Agreement within the context of their own legal systems”. In line with the third sentence of Article 1(1) TRIPS, it is the task of each Member to identify “the appropriate methods within its own legal system and practice to repress any such dishonest practice”.<sup>1149</sup>

Against this background, the report on implementation strategies in countries and regions around the globe shows that the legal mechanisms chosen to ensure protection against unfair competition reflect different legal traditions and historical sources of unfair competition law.<sup>1150</sup> National and regional implementation strategies range from reliance on general tort law (Arab region: H.1; ARIPO and South Africa: A.5; EU: O.1) and, in the sphere of the Anglo-American tradition, common law actions, in particular passing off (ASEAN: L.1; Australia and South Pacific: M.1; Canada and the USA: C.1; India: J.1; UK: P.1), to specific statutes or regulations that address certain aspects of fair trading. Depending on the implementation context that is chosen at the national or regional level, specific unfair competition rules may form part of intellectual property (and particularly trademark) legislation, a country’s commercial code, consumer law or competition act, and/or regional regulations seeking to promote free and fair competition (ANDEAN: F.1; Arab region: H.1; ARIPO and South Africa: A.1.1; ASEAN: L.1; Australia and South Pacific: M.1.2; Canada and USA: C.1; Central America: E.1; CIS: N.1; EU: O.1; MERCOSUR: G.2; OAPI: B.1). In several countries, comprehensive statutes have been adopted to provide protection against unfair competition for competitors and consumers alike (Australia and South Pacific: M.1.2; Caribbean region: D.1; China: I.1; CIS: N.1; EU: O.1; Japan and Korea: K.1).<sup>1151</sup> The latter approach, however, does not seem to have become widespread to such an extent that it could be justified to speak of a broader trend towards the enactment of comprehensive unfair competition statutes.

Despite remaining differences in the design of the regulatory response, the Report shows clearly that, in some form or the other, the core ingredients of the regulatory model chosen in Article 10bis PC reappears in all countries and regions under examination: effective protection against unfair competition (Article 10bis(1) PC) seems to require the combination of an open-ended, “catch-all” clause of a general nature (the role played by Article 10bis(2) PC at the international level)<sup>1152</sup> with several more specific provisions – or specific pieces of legislation – that address individual forms of unfair behavior to protect competitors (Article 10bis(3), No. 1 and 2, PC) and consumers (Article 10bis(3), No. 3, PC).<sup>1153</sup>

<sup>1148</sup> M. Pflüger, “Article 10bis”, in: T. Cottier/P. Véron (eds.), *Concise International and European IP Law*, 3<sup>rd</sup> ed., Alphen aan den Rijn: Wolters Kluwer 2015, 298.

<sup>1149</sup> WTO Panels, 28 June 2018, reports WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R, *Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, para. 7.2682.

<sup>1150</sup> Cf. Pflüger, *Article 10bis*, 298; F. Henning-Bodewig, “International Protection Against Unfair Competition – Art. 10bis Paris Convention, TRIPS and WIPO Model Provisions”, *International Review of Intellectual Property and Competition Law* 1999, 166 (166-170). For an overview of the different traditions of unfair competition law, see WIPO, *Protection Against Unfair Competition: Analysis of the Present World Situation*, WIPO Publication No. 725, WIPO: Geneva 1994, 15-17.

<sup>1151</sup> See the brief overview of national approaches in the WIPO Study, 20-21.

<sup>1152</sup> Pflüger, *Article 10bis*, 298.

<sup>1153</sup> For a discussion of Article 10bis PC as a blueprint for national legislation, see Henning-Bodewig, *International Protection Against Unfair Competition*, 188.

Using this regulatory matrix as an analytical framework, it becomes possible to identify the following broader trends in unfair competition law and practice that has evolved across countries and regions during the last decennia:

As to the overarching general clause:

- the general clause is often modelled, or even directly based, on the open-ended “honest practices” formula in Article 10*bis*(2) PC (ARIPO and South Africa: A.2; ASEAN: L.2; Caribbean region: D.2; Central America: E.1; China: I.2; EU: O.2; MERCOSUR: G.2; OAPI: B.2). It can be said that the requirement of “honest practices in industrial or commercial matters” serves as a blueprint and reference point for domestic implementation strategies;
- in countries and regions following the common law tradition, an amalgam of passing off and other torts – inducing breach of contract, causing loss by unlawful means, intimidation, lawful and unlawful means conspiracy, deceit and malicious falsehood – is applied to find regulatory responses to unfair competitive behavior that falls outside the scope of more specific statutes covering individual forms of unfair conduct (Australia and South Pacific: M.2; ASEAN: L.1; Caribbean region: D.1; UK: P.2). The international harmonization of unfair competition law in Article 10*bis* PC has not led to the adoption of a common law tort of unfair competition (Australia and South Pacific: M.1.5; India: J.2; UK: P.2; however, see also ARIPO and South Africa: A.1.2).

As to the interplay with more specific provisions addressing individual forms of unfair competition:

- the regulation of individual aspects of unfair competition may lead to the adoption of individual pieces of legislation that cover the specific area concerned. Regional harmonization initiatives may also focus on specific aspects of unfair competition law, such as the regulation of business-to-consumer relations or advertising practices (EU: O.2; MERCOSUR: G.3);
- the application of legal mechanisms with broader conceptual contours, such as the tort of passing off, in combination with specific statutory rules, such as statutory consumer protection regimes prohibiting misleading and deceptive conduct, may culminate in a blended approach that de facto merges the requirements for establishing unfair competition (Australia and South Pacific: M.1.3; Caribbean region: D.1);
- the identification of specific instances of unfair competition harm may lead to a highly differentiated system of prohibited conduct that makes the addition of a separate general clause almost obsolete. On the one hand, this result may be achieved on the basis of a detailed and varied list of prohibited conduct. On the other hand, the enumeration of prohibited conduct may include rather unspecific cases with a relatively wide ambit of operation. To cover potential gaps in the catalogue of prohibited acts, it may be possible to invoke general provisions of tort and unjust enrichment law (EU: O.3.3; Japan and Korea: K.1).

## B. RATIONALES OF PROTECTION

Surveying the country and region reports, it seems safe to assume that, besides the central goal to protect traders against unfair competitive practices, the objective to provide consumer protection has made its way into unfair competition law around the globe. All reports reflect the intention to protect consumers against deceptive trade practices. In legal systems with a specific statute dealing with unfair competition, consumer protection may be mentioned explicitly as one of the rationales underlying the legislation. Moreover, the public interest in fair, undistorted competition may be invoked to lay groundwork for the grant of protection

(ANDEAN: F.1; ARIPO and South Africa: A.1; Caribbean region: D.1; China: I.1; CIS: N.1; EU: O.1; Japan and Korea: K.1; MERCOSUR: G.1). In a passing off context, it may be said that the law is focused on the interests of traders whose pursuit of redress indirectly benefits consumers. When traders bring a passing off action, consumers benefit from increased reliability of market information. While the law may aim primarily at the protection of competitors, the interests of consumers and the broader public enter the picture as well. Seeking to protect against misrepresentation in the marketplace, the law focuses on behavior which negatively affects both traders and consumers and, more generally, the public interest in fair, undistorted competition. In this way, passing off promotes competitive economic efficiency (ARIPO and South Africa: A.2; Canada and USA: C.1.1).

In sum, it can be concluded that – regardless of whether a civil law or common law approach is taken to offer protection against unfair competition – the law and practice in the countries and regions of the world seek to protect (Australia and South Pacific: M.1.3; Caribbean region: D.1; Canada and USA: C.1.1; China: I.1; CIS: N.1; EU: O.1; Japan and Korea: K.1; UK: P.1):

- competitors from commercial harm flowing from unfair acts;
- consumers from deceptive trade practices; and
- the public more generally by preserving fair and undistorted competition.<sup>1154</sup>

### C. CONCEPT OF HONEST PRACTICES

As already indicated, an overarching general clause that prohibits unfair commercial practices is a central pillar of the national and regional approaches under examination. Without an open-ended, flexible regulatory instrument, unfair competition law may be rendered incapable of keeping pace with constantly evolving new business models and marketing tools (Canada and USA: C.2.1; EU: O.2). The survey confirms that the concept of “honest practices in industrial or commercial matters” laid down in Article 10*bis*(2) PC serves as an important reference point for devising and developing flexible solutions at the national and regional level that ensure effective protection against unfair competition even if new forms of unfair competitive behavior arise that do not fall within the scope of existing, more specific prohibitions (ARIPO and South Africa: A.2; ASEAN: L.2; Caribbean region: D.2; Central America: E.1; China: I.2; EU: O.2; MERCOSUR: G.2; OAPI: B.2).

Given the described advantage of an overarching, open-ended norm – in particular the possibility of fast reactions to new forms of unfair conduct<sup>1155</sup> – it is not surprising that the foregoing exploration of developments in unfair competition law has not brought to light a precise definition of the concept of “honest practices”. Apparently, it is felt that any attempt to fix the meaning of “honest practices” would sacrifice the advantage of fast reactions to new, unforeseen developments in the marketplace. It may deprive unfair competition law of the flexibility necessary to ensure effective protection in line with Article 10*bis*(1) PC when new competitive practices disturb the fair play in the fight for market shares.

Accordingly, the observed approaches taken to determine compliance with honest practices rest on general, open-ended assessment criteria. From a legal positivist perspective, unfair competition – in the sense of behavior contrary to honest practices in industrial or commercial matters – can be equated with conduct contravening the law (ANDEAN: F.2; Central America: E.2; CIS N.2). The addition of general notions of unfairness and undistorted competition can lead to concepts seeking to ban acts carried out in a manner which is unfair or contradictory to the law, hampers business competition or the efficient functioning of the market, or causes

<sup>1154</sup> Cf. WTO Panels, 28 June 2018, reports WT/DS435/R, WT/DS441/R WT/DS458/R, WT/DS467/R, Australia – Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging, para. 7.2680, pointing out that “protection against unfair competition serves to protect competitors as well as consumers, together with the public interest.”

<sup>1155</sup> Cf. Pflüger, *Article 10bis*, 298-299.

economic harm (ANDEAN: F.2; ASEAN: L.2; Canada and USA: C.2; EU: O.2). A further component of the honest practices requirement may relate to the customs and established trade practices in a given sector and corresponding perceptions of *boni mores*, fairness, honesty, reasonableness and integrity. The inclusion of this empirical element can lead to an understanding of unfair competition covering any act contrary to national legislation, business customs, or moral and ethical requirements of honesty, integrity, reasonableness and fairness (ANDEAN: F.2; ARIPO and South Africa: A.1.2; Caribbean region: D.2; China: I.2; CIS: N.2; MERCOSUR: G.2).

On balance, the Report shows that the assessment criteria employed to identify conduct contrary to “honest practices in industrial or commercial matters” can fall within different categories. The competent authorities may follow an approach focusing on conformity with the law, based on the customs and perceptions of honesty in the sector, and/or seeking to optimize the functioning of the market. To varying degrees, the concept of “honest practices” that has evolved in national or regional law and practice, therefore, consists of the following elements:

- legal positivist criteria (compliance with the law); and/or
- empirical criteria (compliance with the customs or perceptions of fairness in the sector); and/or
- functional criteria (compliance with economic preconditions for undistorted competition in a well-functioning marketplace).

#### D. PROHIBITION OF UNFAIR ACTS LISTED IN ARTICLE 10BIS(3) PC

In addition to the overarching concept of honest practices, the foregoing survey also sought to clarify in which way the prohibition of unfair acts listed in Article 10*bis*(3) PC has been implemented at the national or regional level. The analysis shows clearly that the examples of unfair conduct in Article 10*bis*(3) PC provide important reference points for lawmakers and judges seeking to identify unacceptable competitive behavior. The traditional categories of prohibited conduct – causing confusion (No. 1), false allegations (No. 2), misleading allegations or indications (No. 3) – fulfil an important function in the systems of protection against unfair competition that have evolved around the world.

With regard to the first category of prohibited acts enshrined in Article 10*bis*(3) PC – the causing of confusion as to a competitor’s establishment, goods or business activities – the Report reflects, first, a tendency of covering a broad range of company and product indicia. Protection goes beyond source identifiers in the sense of trademark and trade name law. It covers other distinguishing product and service features which the public recognizes as distinctive references to a particular undertaking. For instance, the range of protectable indicia may include distinctive product or service characteristics, geographical indications, descriptive brand names, trade dress, packaging design, the overall appearance of goods, colour schemes, fictional characters, (aspects of) celebrity images, marketing themes, and the layout and design of websites (ANDEAN: F.3.1; Arab region: H.3.1; Australia and South Pacific: M.1.4; Canada and USA: C.4.1; Caribbean region: D.3; China: I.3.1; EU: O.3.1; MERCOSUR: G.4.3; OAPI: B.3; UK: P.3.1). Second, it seems clear that for a finding of confusion – or a finding of “misrepresentation” in the context of passing off – it is not sufficient to merely evoke indicia which the public associates with the undertaking of a competitor, or make consumers wonder as to whether two products come from the same source. An actionable likelihood of confusion only arises when the public might believe that goods or services come from a competitor’s undertaking, make false assumptions about product qualities or characteristics, or think that there is an economic connection with the competitor, such as an authorization or licensing agreement, or some other form of commercial association, including sponsorship, affiliation and endorsement (Australia and South Pacific: M.3.1; Canada and USA: C.3.1; China: I.3.1; CIS: N.3.1; EU: O.3.1; Japan and Korea: K.3.1; UK: P.3.1).

The second category of acts listed in Article 10bis(3) PC – false allegations of such a nature as to discredit a competitor’s establishment, goods or business activities – may encompass, in national or regional practice, false allegations targeting a competitor’s products or services by attacking their quality or price, warning against a danger that, purportedly, results from their use, asserting non-compliance with advertised specifications, or claiming that goods are fake or unfit for consumption (ANDEAN: F.3.2; Arab region: H.3.2; Japan and Korea: K.3.2; UK: P.3.2). A false allegation may be actionable even if the competing product is not explicitly mentioned. A hint or indirect reference may be sufficient, in particular when it is easy for the public to know which product is the target. It may also be sufficient that the unfair act refers to an entire class of competitors’ products or services, without directly or indirectly identifying the offer of a specific competitor (Arab region: H.3.2; Canada and USA: C.3.1; India: J.3.2; EU: O.3.2). As to a competitor’s undertaking and activities, the prohibition may cover, for instance, false allegations that the rival is on the verge of bankruptcy, has retired, displays criminal conduct or is a drug addict. Protection may also be available when discriminatory statements are made relating to the competitor’s nationality, religious beliefs, or other private or personal matters (ANDEAN: F.3.2; Arab region, H.3.2; EU: O.3.2; UK: P.3.2). Supplementing the category of false factual statements, national or regional approaches may lead to a broader understanding, or the evolution of distinct causes of action, to cover denigrating and disparaging acts that reflect subjective value judgments (Arab region: H.3.2; EU: O.3.2; UK: P.3.2). Malicious or injurious falsehood, for instance, may evolve into a tort of disparagement with lower threshold requirements, covering, for instance, negative observations about a trader’s products in comparative advertising (India: J.3.2). A potential relaxation of unfairness criteria can also be observed with regard to the question whether false allegations must be proved to be untrue, made with malice or result in a specific type of damage, such as a pecuniary damage. To some extent, the Report reflects a departure from the strict application of these criteria (Canada and USA: C.3.1; India: J.3.2). Finally, a finding of discrediting or denigrating conduct may also be based on the fact that relevant information has been omitted (ANDEAN: F.3.2; MERCOSUR: G.3.2). As a counterbalance to the grant of protection, it is recognized that the objective to prevent harmful discrediting and denigrating conduct must be weighed against the interest in freedom of (commercial) expression (Canada and USA: C.1.1; EU: O.3.2; MERCOSUR: G.3.2).

As to the third category of prohibited acts of unfair competition listed in Article 10bis(3) PC – the use of misleading indications or allegations with regard to a trader’s own goods – the survey shows that the misleading act can relate to various elements, including aspects that, instead of concerning product features, relate to the producer, manufacturer or trader, or the rights of consumers. This broader scope of the prohibition at the national or regional level may be the result of implementing an amalgam of Article 10bis(3), No. 3, PC (focusing on goods) and Article 10(1) PC (addressing the source of goods and the identity of the producer, manufacturer or merchant).<sup>1156</sup> For instance, unfair competition law may cover (ANDEAN: F.3.3; ARIPO and South Africa: A.3; ASEAN: L.3; Arab region: H.3.3; Australia and South Pacific: M.1.2 and M.3.1; Canada and USA: C.3; Caribbean region: D.3; Central America: E.3; China: I.3.3; EU: O.3.3; Japan and Korea: K.3.3; MERCOSUR: G.3.3; OAPI: 3.3; UK: P.3.3):

- product characteristics, such as availability, nature, execution, composition, method and date of manufacture or provision;
- that goods are new, or are of a particular standard, quality, value, grade, style or model, or have had a particular history or particular previous use;
- the geographical or commercial origin of products, including any direct or indirect use of a false, incorrect or misleading indication of source;
- performance characteristics, such as forms of use, fitness for purpose, accessories, quantity, specification;

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<sup>1156</sup> For a discussion of this interplay between the international provisions, see S. Ricketson, *The Paris Convention for the Protection of Industrial Property – A Commentary*, Oxford: Oxford University Press 2015, para. 13.52 and 13.09.

- that services are of a particular standard, quality, value or grade;
- the price calculation, including a specific gift or price advantage, or a discount resulting from an alleged liquidation or bankruptcy;
- the method of counting products;
- the need for a service, part, replacement or repair;
- that goods or services have sponsorship or approval;
- the conditions under which a product or service is proposed or supplied;
- the identity of the producer, manufacturer, or trader;
- the nature, attributes and rights of the trader or his agent, including assets, qualifications, degrees, awards and distinctions, affiliation, ownership of industrial, commercial or intellectual property rights;
- the commitment, motives, sponsorship or approval of the trader, including compliance with codes of conduct;
- the rights of the consumer, including rights to replacement or reimbursement.

For an allegation or indication to be deemed misleading, however, national or regional law will normally require that additional criteria of unfairness be met. The applicable criteria may reflect the double rationale of protection that is inherent in the ban on misleading allegations and indications: the prohibition of unfair conduct in this area may serve the bidirectional objective to protect competitors and consumers (UK: P.3.3). A misleading statement in advertising, for instance, may amount to an act of unfair competition because it misleads consumers and, at the same time, harms competitors. Accordingly, a commercial practice may be regarded as misleading, first, when it affects the economic behavior of consumers due to its deceptive nature, when the practice would be likely to materially distort decision making, by causing consumers to conclude a contract or make a payment, or when it creates an incorrect or misleading impression and culminates in the consumer falling into confusion or mistake (Arab region: H.3.3; Canada and USA: C.1.3; EU: O.3.3; UK: 3.3). Second, the allegation or indication may be actionable when, because of its impact, it injures, or is likely to injure, a competitor (Canada and USA: C.2; EU: O.3.3). The protection against misleading practices also covers omissions: situations where a trader hides material information, provides such information in an unclear, unintelligible, ambiguous or untimely manner, or fails to identify the commercial intent of the commercial practice in cases where this is not already apparent from the context (ANDEAN: F.2; Caribbean region: D.2; EU: O.3.3; Japan and Korea: K.3.3).

For establishing an act of unfair competition falling within the scope of one of the examples listed in Article 10*bis*(3) PC, it may be necessary to demonstrate the existence of a competitive relationship. In particular, the claimant may have to show that the alleged infringer operates on the same or a related market (similar field of activity, products or services; substitutable or otherwise competing goods or services) and is active in a geographical area that overlaps at least partly with the territory in which the claimant has business activities (Arab region: H.3.1; Central America: E.3; CIS: N.3; EU: O.2). However, certain developments in the examined countries and regions point in the direction of a relaxation of the competitive relationship test. Besides acts carried out in direct competition, it may be sufficient that a trader places itself in competition in some indirect way. A relevant competitive relationship may be found, for instance, whenever there is an interdependence between the business advantages which one party intends to achieve for itself or a third party, and the disadvantages – in the sense of an impairment of competition or business opportunities – which the claimant suffers (Caribbean region: D.3; China: I.2; EU: O.2). It may also be sufficient that the allegedly infringing act causes damage to a broader range of market participants. Following this approach, it is not necessary to demonstrate that the allegedly infringing act aims specifically to undermine the business of the claimant. At an even higher level of abstraction, it may be deemed sufficient that the allegedly infringing act has an influence on the state of competition (CIS: N.3).



## E. ADDITIONAL ACTS OF UNFAIR COMPETITION

As to additional types of protection that do not fall within the province of the examples given in Article 10*bis*(3) PC, the analysis yields mixed results with regard to misappropriation. In several countries and regions, there is a tendency to provide for protection against parasitic competition, for instance, in the form of prohibiting the unauthorized use of achievements that are the result of another person's substantial investment or efforts, for one's own business in an unfair manner (ANDEAN: F.4.1; Arab region: H.4.2; Central America: E.3; CIS: N.4.2; Japan and Korea: K.4.5; MERCOSUR: G.4.1; OAPI: B.4.1). In the field of advertising, the prohibition may cover the taking of unfair advantage of the reputation of a competitor's marks or other business or product indicia (EU: O.4.2). As indicated, however, the survey of national and regional approaches does not reflect a general consensus on questions relating to misappropriation. In countries with a common law tradition, the discussion has led to the conclusion that passing off ought not to be extended into a broader tort against misappropriation or merely copying another's effort (Australia and South Pacific: M.2; India: J.2; UK: P.2).

The lack of agreement on general protection against misappropriation, however, does not rule out the possibility of finding common ground for the grant of protection against specific forms of parasitic competition, such as slavish imitation that is likely to cause confusion as a result of misrepresentation (ANDEAN: F.3.1; Arab region: H.3.1; Japan and Korea: K.4.2; OAPI: B.4.4; UK: P.4). From the perspective of the common law tradition, the rejection of a broad tort of unfair competition (that would encompass unfair freeriding) need not preclude a finding of unfair competition where a defendant slavishly copies something in which the plaintiff has built up a commercially valuable reputation (for example, through an act of product simulation, or the use of indicia such as a fictional character, celebrity image or advertising theme) where consumers would be misled as to the existence of a trade connection – for example, in the form of affiliation or sponsorship – with the plaintiff (Australia and South Pacific: M.2). In countries with a civil law tradition, the position in respect of slavish imitation may be very similar – despite a stronger inclination to grant more general protection against misappropriation. For a slavish imitation claim to have success, national law may require that the imitated good or service have acquired an individual competitive position: an “own face” that makes it distinguishable from other products or services in the relevant market segment. In addition, it may be necessary to demonstrate that specific criteria of unfairness are fulfilled. More specifically, the verdict of unfairness may require a finding of avoidable confusion – in the sense of the public considering the imitation to be the original, or believing that the products or services come from the same or economically-linked undertakings (China: I.4.1; EU: O.4.1). In light of the international harmonization in Article 10*bis* PC, it is not surprising that the criterion of confusion and misrepresentation forges a link between common law and civil law countries. With this requirement, protection against slavish imitation may be regarded as an exponent of Article 10*bis*(3), No. 1, PC.

An additional form of protection that may be placed in the context of misappropriation concerns ambush marketing. In this regard, the analysis shows that countries with a common law tradition may opt for the adoption of specific legislation to offer, for a limited period of time, protection against the unauthorized commercial use on goods or services of protected indicia or images associated with a major sports event that would suggest a sponsorship or other commercial connection. In particular, this protection may cover use for the purpose of advertising, promoting, or enhancing the demand for goods or services, including street trading. Going beyond the traditional contours of passing off, it may be sufficient that the impression of an association with the sports event is given (Australia and the South Pacific: M.4). Arguably, this type of protection against ambush marketing comes close to the status quo reached in civil law jurisdictions on the basis of protection against freeriding and parasitic competition.

In a civil law context, the focus will be on the unfair exploitation of efforts, investments and the notoriety of the event organizer, the unfair attempt to capture the economic flow of a major sports event, and the wrong impression of a sponsorship arrangement (EU: O.4.2).

Finally, the survey of national and regional approaches reflects important developments in the area of trade secret misappropriation. There is consensus on the need to provide protection against the misuse of trade secrets across all countries and regions under examination. The legal instruments employed for this purpose, however, can differ. Trade secret protection may primarily follow from express or implied terms of contracts relating to confidential information and the prohibition of a breach of contract or inducement to breach (ANDEAN: F.4.4; Arab region: H.4.3; Australia and South Pacific: M.4). In countries with a common law tradition, the equitable action for breach of confidence will be available and may be gaining in importance. This form of protection is likely to cover cases where information that can be identified with sufficient specificity, and that has the necessary quality of confidence about it, has been received in circumstances importing an obligation of confidence, and where there is an actual or threatened misuse of that information that would be detrimental to the lawful holder (ASEAN: L.4; Australia and South Pacific: M.4; UK: P.4). In addition to these protection tools, the survey of national and regional developments shows a trend towards the adoption of statutory trade secret protection regimes (ASEAN: L.4; CIS: N.1; Canada and USA: C.4.1; Caribbean region: D.4.3; China: I.4.3; Japan and Korea: K.4.3; EU: O.4.3; UK: P.4). Under these statutory regimes, any act or practice may be deemed an act of unfair competition that leads to the disclosure, acquisition, or use by an unauthorized third party, of confidential information without the consent of the lawful holder. The concept of unlawful acquisition may comprise, for instance, unauthorized access to, appropriation of, or copying of any documents, objects, materials, substances or electronic files revealing the secret information (ANDEAN: F.4.2; ASEAN: L.4; Australia and South Pacific: M.4; Central America: E.4; China: I.4.3; Japan and Korea: K.4.3; EU: O.4.3; MERCOSUR: G.4.2; OAPI: B.4.2). In line with footnote 10 of the TRIPS Agreement (accompanying Article 39(2) TRIPS), statutory protection regimes may seek to cover in particular:

- industrial or commercial espionage;
- breach of contract;
- breach of confidence;
- inducement to commit an industrial or commercial espionage or a breach of contract or confidence;
- acquisition of confidential information by a third party who knew that such acquisition involved one of the above acts or whose ignorance of that fact constituted gross negligence (EU: O.4.3; Japan and Korea: K.4.3; MERCOSUR: G.4.2; OAPI: B.4.2).

As to goods or services evolving from the unlawful use of protected confidential information, the causes of action in statutory trade secret law may cover the offering, selling, importation, or exportation of products or services that use a trade secret, provided that the defendant knew, or had reasonable grounds to know, that the relevant information was used without consent or in a manner contrary to honest practices. More specifically, the concept of “infringing goods” may relate to goods, the design, characteristics, functioning, production process or marketing of which significantly benefits from trade secrets unlawfully acquired, used or disclosed (Central America: E.4; EU: O.4.3).

## F. IMPACT OF MODERN TECHNOLOGIES

With regard to new technologies and related marketing tools, the discussion on keyword advertising in trademark and unfair competition law has shown that additional transparency measures may be necessary to ensure fair behavior and a well-functioning marketplace. For instance, trademark infringement or an act of unfair competition may be found when an

advertising message, while not suggesting the existence of an economic connection, is vague to such an extent on the origin of advertised goods or services that internet users are unable to determine whether the advertiser is a third party (EU: O.4.4; MERCOSUR: G.4.4).

The increasing use of targeted advertising and algorithmic marketing tools may also lead to transparency and information obligations seeking to create a fair environment for competitors and consumers. For instance, the survey sheds light on initiatives to ensure that providers of online platforms, such as online marketplaces, provide platform users with information enabling them to understand when and on whose behalf an advertisement is displayed, and which parameters are used to direct advertising to them, including meaningful explanations of the logic underlying systems for targeted advertising. When operators use data obtained by others from users, there may also be an obligation to obtain the consent of users again, and reuse the data without harming fair competition or endangering the legitimate interests of consumers. The regulation of comparative advertising may include a prohibition of product promotion based on subjective elements, including psychological or emotional data (China: I.4.4; EU: O.4.4; MERCOSUR: G.3.1).

Transparency obligations may also play a role in the field of influencer marketing. Reported guidelines and case law stress the importance of obliging influencers to disclose advertising or sponsorship agreements that have an impact on social media publications. For instance, influencers may be obliged to ensure that consumers can identify, at first sight and without any doubt, any commercial purpose underlying a social media publication that discusses third party products (MERCOSUR: G.4.4; EU: O.4.4).

The objective to find regulatory responses to new technological developments can also lead to new initiatives in the field of protection against misappropriation. In response to the data-driven economy and the increasing importance and commercial value of machine-generated data, it is conceivable, for instance, to introduce protection against data misappropriation, covering the wrongful acquisition, disclosure and use of data. The focus may be on “big data” – in the sense of technical or business information that is accumulated to a significant extent and is managed by electronic or magnetic means – that would not meet the requirements of trade secret or copyright protection (China: I.2; Japan and Korea: K.4.4).

## G. INTERPLAY WITH INTELLECTUAL PROPERTY RIGHTS

As to the relationship between general standards of protection against unfair competition and specific laws that offer protection for intellectual property rights, different ways of interaction are conceivable.

On the one hand, legislation in the field of intellectual property may preclude, in its specific field of application, the invocation of general legal mechanisms that are available to ensure protection against unfair competition (ANDEAN: F.3.1; Japan and Korea: K.1). Otherwise, general protection standards in the area of unfair competition law may undermine more specific requirements for acquiring protection or establishing infringement that have evolved in intellectual property law. If, for instance, a country requires registration for a sign to enjoy trademark protection, the legislative decision to make trademark protection dependant on registration could be thwarted by, alternatively, making the same scope of protection readily available in the form of protection against unfair competition. Similarly, specific criteria for establishing infringement in intellectual property law may be rendered meaningless if, as an alternative avenue, less stringent criteria for a finding of unfair competition could be invoked to obtain the same scope of protection.<sup>1157</sup> In practice, this can lead to a situation where, despite a general recognition of protection against unfair freeriding, the requirements for obtaining

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<sup>1157</sup> Cf. Henning-Bodewig, *International Protection Against Unfair Competition*, 174-175 and 184, who also discusses the approach of independent and supplementary protection underlying the WIPO Model Provisions.

protection against parasitic competition are applied strictly. For instance, the grant of protection under unfair competition rules may depend on a balancing of the claimant's protection interests against the general interest in freedom of information and freedom of competition (EU: O.4.2). In the area of protection against slavish imitation, the unauthorized copying may be deemed actionable only if specific criteria of unfairness, such as the requirement of avoidable confusion, are fulfilled (EU: O.4.1).

A rule that allows intellectual property legislation to prevail, however, need not preclude the application of unfair competition law to acts that may be deemed unfair even though they comply with formal requirements for obtaining intellectual property protection. For example, an application for a trademark registration in full conformity with formal application requirements may still amount to an act of unfair competition if the applicant seeks to derive unfair advantage from the reputation of another person's unregistered sign (Japan and Korea: K.1).

On the other hand, it seems clear that protection against unfair competition can interact with intellectual property rights in various ways. First, protection against unfair competition may complement intellectual property rights, for instance, by providing protection for unregistered identifiers of commercial source and other business and product indicia falling outside the scope of trademark legislation, such as trade names, trade dress, celebrity images, marketing themes and website layout (Arab region: H.3.1; Australia and South Pacific: M.1.4; Canada and USA: C.4.1; Caribbean region: D.3; China: I.1; CIS: N.1; OAPI: B.3; UK: P.3.1). The starting point for regulating the interplay between the two legal regimes may be independence – with protection against unfair competition being applied independently and in addition to intellectual property protection systems (China: I.1; OAPI: B.2). The infringement of a statutory intellectual property right may also be qualified, at the same time, as an act of unfair competition (Arab Region: H.3.1; Central America: E.2). For constitutional reasons, there may even be an obligation to connect a passing off claim under federal law with a registered or common law trademark (Canada and USA: C.1.3).

Second, certain concepts stemming from unfair competition law, such as the notion of misleading conduct, or the concept of "honest practices in industrial or commercial matters" (Article 10*bis*(2) PC), may be employed to delineate the scope of protection in an area of intellectual property protection, in particular trademark law (ASEAN: L.2; Caribbean region: D.3; EU: O.2). For instance, the requirement of use in accordance with honest practices may serve as a yardstick in trademark law for determining whether a defendant can legitimately invoke a limitation of trademark protection (ASEAN: L.2; EU: O.2). Vice versa, concepts that have received specific contours in trademark law, such as a consumer model or confusion concept, may also be applied in unfair competition law (Australia and South Pacific: M.3.1; Canada and USA: C.3.1; Caribbean region: D.3; China: I.3.1; CIS: N.3.1; EU: O.3.1; Japan and Korea: K.3.1; MERCOSUR: G.3; UK: P.3.1).

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