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Unfair Competition  
Complementary or Alternative to Intellectual Property in the EU?  
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## The Law of Unfair Competition

- Is there a need for harmonisation?
- Is there a role for unfair competition?
  - Reinforcement of IP rights
  - Alternative rationale?

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## Unfair Competition: 10 *bis* Paris Convention

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
  1. 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;
  2. 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;
  3. 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.

## Rudolf Callmann



1892-1936



1936-1976

29.09.1892 – 12.03.1976

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## On Competition

- Struggle of competition
  - Not of one competitor against the other
  - With the other for a common prize
    - Several aspirants;
    - One and the same goal;
    - One prize or a hierarchy of prizes;
    - One or several umpires; the consumer(s)

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## On competitive conduct

1. Struggle for common prize
  - As opposed to peace; risk of price change
    - Concerted practice / IP Law
2. Game-like rules
  - Constructive effort
  - Suggestion- and forceful competition
3. Subsistence to the conditions of the market
  - Supply and demand determine price

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## Struggle for Common prize

- Concerted practices
  - Price fixing
- Exception if the result is competition leading to market failure elsewhere
  - IP protection
    - Patent monopoly in exchange for disclosure and a competitive market for technology



## Game-like rules; Leistungswettbewerb

- Constructive effort – honesty in trade
  - Strive for commercial advantage only by own strength, own ingenuity, skill and capital
  - Doing the best possible job within own abilities
  - Result of the commercial effort to the whole community is not important
    - *Homo economicus* cannot be expected to judge

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## Subservience to the conditions of the market

- Submission to supply and demand determine price
  - Tying, bundling
  - Abuse of the dominant position

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## Protection against unfair competition

- Confusion
  - Trade marks, trade names, GIs
- Intellectual creativity
  - Design, software, secrets, know how, slavish imitation, misappropriation
- Industrial creativity
  - Utility models, chips, databases, dilution, slavish imitation, misappropriation

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## Lack of harmonisation unfair competition law

- Lack of a uniform method
  - Legislation (BRD, A. Lux. E, H, P, Dan, S. B)
  - Civil code case law (F, NL, I)
  - Common Law (UK, Aus, NZ, HK, Irl, USA)
  - Hybrids (Can, SA, Is)
- Lack of uniform development, whereas harmonization of legal culture is required

## Harmonization – how?

- Comparative research
- WIPO model law (common definitions)
  - General clause
  - Confusion
  - Denigration and dilution
  - Misleading
  - Discrediting
  - Breach of confidence/trade secrecy
- Incorporation in IP statutes, *vide* dilution
- Sui generis rights with ECJ interpretation

## A tort of competition?

- *Hodgkinson & Corby Ltd and Roho Inc. v. Wards Mobility Services Ltd* [1995] FSR 169 per Jacob J.:
  - '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'.

## Odol



## Odol – the 1924 case and its history

- Odol is a registered TM for mouthwash
  - It is well-known in Germany
  - It is used by another company in relation to steel products
  - *Landgericht at Elberfeld* holds that this use on non-competing products is 'gegen die gutten Sitten' ... 'against good morals', or 'unfair'

## Broad principle of fair trade ... dilution

- To be sure, the parties, on account of the wholly different goods put out by them are **not in actual competition**. That, however, is beside the point.
- The complainant has **created a demand** for its goods, while employing thereon a word having drawing power, for only through the year-long activity of the complainant was its **selling power** acquired ...
- Complainant's ability to compete with other manufacturers of mouth wash will be **impaired** if the **significance of its mark is lessened**."



## Trans-Atlantic rationality 40 Harv. L. Rev. 813 1926-1927

- Schechter on the limitation to origin:
- ... 'a conclusion that "no wrong is done" is based upon an archaic notion of the function of a trademark as solely indicating "source or origin." ... It ignores the fact that the *creation and retention of custom*, rather than the designation of source, is the *primary purpose* of the trademark today, and that the preservation of the uniqueness or individuality of the trademark is of paramount importance to its owner.'

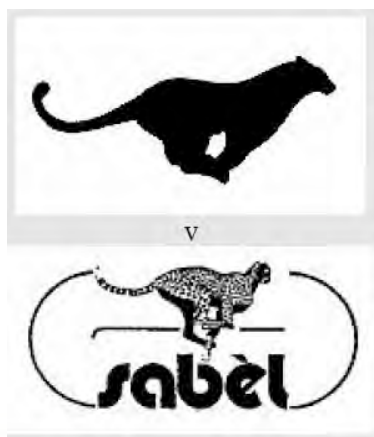
## Protection beyond confusion

- Action against destruction of the uniqueness of the mark
  - Tarnishment
  - Denegation
  - Dilution (Verwässerung) – Odol case
  - Free riding (reaping where one has not sown) – INS v. AP case

## European harmonica at the ECJ

- Puma/Sabel, 1997
- Davidoff/Durffee, 2003
- Intel/CPM (Intelmark), 2008
- L'Oreal/Bellure, 2009

## Puma/Sabel



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## Davidoff/Durfee



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## Intel/CPM (Intelmark)

- Detriment to the distinctive character:
  - such detriment is caused when that mark's ability to identify the goods or services for which it is registered and used as coming from the proprietor of that mark is weakened, since use of the later mark leads to **dispersion of the identity** and hold upon the public mind of the earlier mark. That is notably the case when the earlier mark, which **used to** arouse **immediate association** with the goods and services for which it is registered, is **no longer capable of doing so**.

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## **Intel/CPM (Intelmark) – Relevant Public**

- Distinctiveness and reputation
  - Average consumer of the goods covered by the earlier mark.
- Unfair advantage
  - Average consumer of the goods covered by the later mark.

## **Intel/CPM - Proof of unfair advantage**

- Actual and present injury need not be demonstrated, risk of future injury is sufficient

## Intel/CPM – A link; no confusion required, but

- Factors to consider:
  - The similarity of the mark,
  - the nature of the parties' goods or services and whether their consumers overlap,
  - the distinctiveness of the earlier mark and whether the mark is unique or essentially unique

## Intel/Intelmark - Harm

- The stronger the link (i.e. the more strongly and immediately the earlier mark is brought to mind), the greater the likelihood of unfair advantage/detriment.
  - likelihood of unfair advantage/detriment must be assessed globally, taking into account the factors relevant to establishing a link.
  - establishing a link does not automatically result in acceptance of unfair advantage

## Intel/CPM - Proving detriment to distinctive character

- Evidence of a **change in economic behaviour** of the average consumer of the earlier goods or services as a consequence of the use of the later mark, or
- Likelihood that such a change will occur in the future.
- No need to show that the later user has obtained commercial benefit from the use of the earlier mark.

## L'Oreal/Bellure – price comparison lists



- Unfair advantage of the distinctive character or the repute of the mark?
  - Global assessment and circumstances of the case
  - Strength of reputation and degree of distinctive character
  - Nature and degree of proximity of goods or services
  - The more immediately and strongly the mark is brought to mind by the sign, the greater the likelihood that the current or future use of the sign is taking, or will take, unfair advantage of the distinctive character or the repute of the mark or is, or will be, detrimental to them
  - likelihood of dilution or tarnishment of the mark

## Harm under L'Oreal/Bellure

- The advantage arising from the use by a third party of a sign similar to a mark with a reputation is an **advantage taken unfairly** by that third party of the distinctive character or the repute of the mark where that party seeks by that use to **ride on the coat-tails of the mark with a reputation** in order to benefit from the power of attraction, the reputation and the prestige of that mark and to **exploit**, without paying any financial compensation, the **marketing effort** expended by the proprietor of the mark in order to create and maintain the mark's image.

## L'Oreal/Bellure – comparative advertising

- Price comparison 'smells like..'
  - Essential function of the mark includes:
    - guaranteeing the quality of the goods or services in question and those of communication, investment or advertising
  - comparative advertising must not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name

## L'Oreal/Bellure - Comparative advertising directive

- Comparative advertising must not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name
- Comparative advertising must not take unfair advantage of the reputation of a trade mark
  - Must be interpreted similarly to trade marks directive

## L'Oreal/Bellure – Smells like ....

- ... Since, under Directive 84/450, comparative advertising which presents the advertiser's products as an imitation of a product bearing a trade mark is inconsistent with fair competition and thus unlawful, any advantage gained by the advertiser through such advertising will have been achieved as the result of **unfair competition** and must, accordingly, be regarded as taking unfair advantage of the reputation of that mark



## The danger of unchecked monopolies

- Lego cases - Pre-emption doctrine to stop claims in unfair competition (slavish imitation) and post-sale confusion when all IP rights have lapsed
- Scent of perfume – need for delimitation of subject matter to prevent stretching copyright (or other IP rights) when the desire is to prevent free riding
- Market preservation instead of property
  - *Barclays Capital Inc. v. TheFlyOnTheWall.com*
    - Two hours only!

## Mandate to harmonise?

- ECJ in *Beele*, 1982
  - National case-law prohibiting the precise imitation of someone else 's product which is likely to cause confusion may indeed protect consumers and **promote fair trading** ; these are **general interests** which ... may justify the existence of obstacles to movement within the community resulting from disparities between national laws relating to the marketing of products. That such a rule does meet mandatory requirements is moreover borne out by the fact that it accords with the principle underlying article 10 bis of the Paris Convention ...

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## Conclusion

- Community Law Against Unfair Competition
  - Already exists;
  - Is integral part of the competitive market economy;
  - Should be subject to a harmonisation Directive and EU Regulation;
  - Should be subject to pre-emption rules;
  - Should reflect notions of the need to protect the competitive market, rather than only IP rightholders

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