

PROTECTION AGAINST UNFAIR COMPETITION



WORLD INTELLECTUAL PROPERTY ORGANIZATION
(WIPO)

**PROTECTION
AGAINST UNFAIR COMPETITION**

Analysis of the Present World Situation

presented by the International Bureau of WIPO



GENEVA
1994

WIPO PUBLICATION
No. 725(E)

ISBN 92-805-0484-3

WIPO 1994
Reprinted, 1999

PREFACE

This study is presented by the International Bureau of the World Intellectual Property Organization (WIPO) as a first step in a series of activities concerning protection against unfair competition. The first draft of the study was based on a text produced by two staff members of the Max Planck Institute for Foreign and International Patent, Copyright and Competition Law (Munich, Germany), Mrs. Frauke Henning-Bodewig and Mr. Heijo Ruijsenaars. The final version takes into account the advice of the following experts (given at a meeting in 1992 and in the form of written comments in 1993):

— *John Adams (Director, Common Law Institute of Intellectual Property (CLIP), London);*

— *Ernesto Aracama-Zorraquín (Lawyer, Buenos Aires);*

— *Ivan Cherpillod (Lawyer, Lausanne);*

— *Gu Ming (Vice-Chairman, Law Committee of the National People's Congress, Beijing);*

— *Desmond Guobadia (Lawyer, Lagos);*

— *Frauke Henning-Bodewig (Mrs.) (Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich);*

— *Baldo Kresalja (Lawyer, Lima);*

— *Yoshiharu Kunogi (Director, Intellectual Property Policy Office, Ministry of International Trade and Industry, Tokyo);*

— *Krishnaswami Ponnuswami (Professor of Industrial Property Law, Faculty of Law, University of Delhi, Delhi);*

— *Heijo Ruijsenaars (Max Planck Institute for Foreign and International Patent, Copyright and Competition Law, Munich);*

— *Imre Voros (Justice, Constitutional Court, Budapest);*

— *Glen Weston (Former Professor, School of Law, George Washington University, Washington, D.C.; Naples, Florida).*

The International Bureau expresses its gratitude to the above-named experts for their invaluable contributions.

December 1993

CONTENTS

	<i>Paragraphs</i>
I. INTRODUCTION	1-3
II. THE NEED FOR PROTECTION	4-11
III. THE LEGAL BASIS FOR PROTECTION	12-27
A. Development of Unfair Competition Law	12-17
B. International Protection: Article 10 <i>bis</i> of the Paris Convention for the Protection of Industrial Property	18-22
C. National Protection: Three Main Approaches to Unfair Competition Law	23-26
(1) Protection Mainly Based on Specific Legislation	24
(2) Protection Based on General Tort Law and/or the Law Concerning “Passing Off” and Trade Secrets	25
(3) Combination of the Above Two Approaches ...	26
D. The Role of Jurisprudence	27
IV. THE ACTS OF UNFAIR COMPETITION	28-134
A. General Definition	28-38
B. Categories of Acts of Unfair Competition	39-134
(1) General Explanation	39-40
(2) Acts Expressly Mentioned in Article 10 <i>bis</i>	41-92
(a) Causing Confusion	42-63
(i) General Circumstances Under Which Confusion Is Established	42-44
(ii) Types of Confusion	45-47
(iii) Confusion With Respect to Indications – Limited Applicability of Specific Legislation	48-53

– Limited Scope of Trademark Protection	54-57
– Trade Names	58
(iv) Confusion With Respect to Product Shapes	59-63
(b) Misleading	64-83
(i) General	64-68
(ii) The Concept of Misleading	69-73
(iii) The Communication of Misleading Statements	74-77
(iv) Exaggerations	78
(v) The Subject Matter of Misleading	79-80
(vi) Subjective Requirements	81-82
(vii) Burden of Proof	83
(c) Discrediting Competitors	84-92
(i) General	84-85
(ii) Reference to an Individual Competitor ..	86-87
(iii) The Subject Matter of the Attack	88
(iv) Intent or Actual Damage	89
(v) Statements of Fact	90
(vi) False Statements	91-92
(3) Acts Not Expressly Mentioned in Article 10 <i>bis</i> ..	93-134
(a) General	93-94
(b) Violation of Trade Secrets	95-103
(i) General	95-96
(ii) What Information Can Be a Trade Secret?	97-99
(iii) Use and Disclosure by (Former) Employees	100-101
(iv) Use and Disclosure by Competitors ..	102-103
(c) Taking Undue Advantage of Another's Achievement ("Free Riding")	104-115
(i) General	104-108
(ii) Dilution of the Distinctive Quality or Advertising Value of a Mark	109
(iii) Exploitation of Another's Reputation ..	110-111
(iv) Slavish Imitation	112-114
(v) Parasitic Acts	115

(d) Comparative Advertising	116-125
(i) Definition	116
(ii) The General Restrictions: “Misleading” and “Discrediting” Comparisons	117-118
(iii) The Trend Towards Admission of True Comparisons	119
(iv) Special Dangers of Comparative Advertising	120
(v) Comparative Advertising and Trademark Law	121-122
(vi) Comparisons Made by Third Parties ...	123-125
(e) Other Acts of Unfair Competition	126-134
(i) General	126
(ii) Nuisance Advertising, Exploitation of Fear, Undue Psychological Pressure, etc.	127-130
(iii) Sales Promotion: Bonuses, Gifts, Lotteries, etc.	131-132
(iv) Impeding of Market Activities	133-134
V. ENFORCEMENT OF PROTECTION	135-160
A. General	135-137
B. Civil Sanctions	138-153
(1) Categories of Sanctions	138-144
(a) Injunction	139-140
(b) Damages	141-143
(c) Rectification; Publication of the Judgment	144
(2) Right to Sue	145-148
(3) Measures to Secure Evidence of Unfair Acts and Conserve Assets	149-151
(4) Accelerated Proceedings	152-153
C. Criminal Sanctions	154-155
D. Administrative Sanctions	156-158
E. Sanctions Under Self-Regulation	159-160
ANNEX: List of Legislative Texts Concerning Protection Against Unfair Competition	

I. INTRODUCTION

1. Protection against unfair competition has been recognized as forming part of industrial property protection for almost a century. It was in 1900, at the Brussels Diplomatic Conference for the Revision of the Paris Convention for the Protection of Industrial Property (hereinafter referred to as "the Paris Convention"), that this recognition was first manifested by the insertion of Article 10*bis* in the Convention. In its original version, as adopted at the Brussels Diplomatic Conference, the Article read as follows: "Nationals of the Convention (Articles 2 and 3) shall enjoy, in all the States of the Union, the protection granted to nationals against unfair competition." As a result of the subsequent revision conferences, the Article now reads as follows (in the Stockholm Act (1967) of the 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."

2. At first glance, there seem to be basic differences between the protection of industrial property rights, such as patents, registered industrial designs, registered trademarks, etc., on the one hand, and protection against acts of unfair competition on the other. Whereas industrial property rights, such as patents, are granted on application by industrial property offices and confer exclusive rights with respect to the subject matter concerned, protection against unfair competition is based not on such grants of rights but on the consideration – either stated in legislative provisions or recognized as a general principle of law – that acts contrary to honest business practice are to be prohibited. Nevertheless, the link between the two kinds of protection is clear when certain cases of unfair competition are considered. For example, in many countries unauthorized use of a trademark that has not been registered is considered illegal on the basis of general principles that belong to the field of protection against unfair competition (in a number of countries such unauthorized use is called “passing-off”). There is another example of this kind in the field of inventions: if an invention is not disclosed to the public and is considered to constitute a trade secret, the unauthorized performance by third parties of certain acts in relation to that trade secret may be illegal. Indeed the performance of certain acts in relation to an invention that has been disclosed to the public and is not patented or in respect of which the patent has expired, may under very special circumstances also be illegal (as an act of “slavish imitation”).

3. The above examples show that protection against unfair competition effectively supplements the protection of industrial property rights, such as patents and registered trademarks, in cases where an invention or a sign is not protected by such a right. There are, of course, other cases of unfair competition, for example the case referred to in Article 10*bis*(3)2 of the Paris Convention, namely that of a false allegation in the course of trade of such a nature as to discredit a competitor, in which protection against unfair competition does not perform such a supplementary function. This is due to the fact that the notion of unfair competition covers a great variety of acts, as will be discussed in the analysis below.

II. THE NEED FOR PROTECTION

4. In the wake of recent political developments, a number of countries are currently in the process of adopting market economy systems, which allow free competition between industrial and commercial enterprises within certain limits defined by law. These developments are taking place not only in Central and Eastern European countries, but also in a number of developing countries. Free competition between enterprises is considered the best means of satisfying supply and demand in the economy and of serving the interests of consumers and the economy as a whole. However, where there is competition, acts of unfair competition are liable to occur. This phenomenon has been discernible in all countries and at all times, regardless of prevailing political or social systems.

5. Sometimes economic competition has been compared to competition in sport, because in both the best should win. In economic competition, that should be the enterprise providing the most useful and effective product or service on the most economical and (to the consumer) satisfying terms. This result can only be achieved, however, if all participants play according to a certain set of basic rules; and also as in sport, it may be tempting to disregard the rules. Violations of the basic rules of economic competition can take various forms, ranging from illegal but harmless acts (which can be committed by the most honest and careful entrepreneur) to malicious fouls, intended to harm competitors or mislead consumers. They may consist in a direct attack on an individual competitor or in a surreptitious deception of the "referee," who in economic competition typically is the consumer. Whatever form such violations may take, it is in the interest of the honest entrepreneur, the consumer and the public at large that they should be prevented as early and as effectively as possible.

6. Experience has shown that there is little hope of fairness in competition being achieved solely by the *free play of market forces*. In theory consumers, in their role as referees of economic play, could deter dishonest entrepreneurs by disregarding their goods or services

and favoring those of honest competitors. Reality, however, is different. As an economic situation becomes more complex, consumers become less able to act as referees. Often they are not even in a position to detect by themselves acts of unfair competition, let alone react accordingly. Indeed it is the consumer who – along with the honest competitor – has to be protected against unfair competition.

7. *Self-regulation* has sometimes been referred to as a remedy but it has not proved to be a sufficient safeguard against unfair competition. Without doubt, self-regulation by associations of enterprises can play an important role in ensuring honest business conduct: if self-regulation is well developed and generally observed, it can even be faster, less expensive and more efficient than any court system. Yet it stands or falls on continuing observance by all participants.

8. In order to prevent unfair competition effectively, self-regulation must, at least in certain areas, be supplemented by a system of legal enforcement. Only such a system can assure honest entrepreneurs that their chances of success will be determined by their own efforts, and assure consumers that they can make optimum buying choices, thus avoiding the waste of scarce resources, and ensuring improved market transparency and maximum economic welfare.

9. The rules on the prevention of unfair competition and those on the prevention of restrictive business practices (*antitrust law*) are interrelated: both aim at ensuring the efficient operation of a market economy. They do so in different ways, however: antitrust law is concerned with the preservation of the *freedom of competition* by combating restraints on trade and abuses of economic power, while unfair competition law is concerned with ensuring fairness in competition by forcing all participants to play according to the same rules. Yet both laws are equally important, although in different respects, and supplement each other. Countries setting up a system of market economy need an antitrust law, but one cannot rely on antitrust law alone to ensure fairness of competition as a side effect: that can be achieved only by distinct rules providing for protection against unfair competition.

10. *Industrial property laws* protecting inventions, industrial designs, marks, trade names, geographical indications, etc., are insufficiently comprehensive on their own to ensure honest practice in the market-

place. It is true that the protection of industrial property rights is in the interest not only of their owners, but also of consumers and of the public at large, and thus also serves the objective of ensuring fairness in competition. In particular, the unauthorized use of a trademark for a competing product not only constitutes undue exploitation of the trademark owner's goodwill, but also deceives the public as to the commercial origin of the product (and hence its characteristics). It can therefore be argued that trademark law is a specific part of the larger field of unfair competition law and that the enforcement of trademark protection serves to prevent acts of unfair competition, in particular, passing-off and dilution of distinctive quality or advertising value. The same is true, to a lesser extent, of other industrial property rights, such as patents, which protect inventors against undue exploitation of their efforts.

11. However, in spite of these common objectives, fair play in the marketplace cannot be ensured only by the protection of industrial property rights. A wide range of unfair acts, such as misleading advertising and the violation of trade secrets, are usually not dealt with by the specific laws on industrial property. Unfair competition law is therefore necessary either to supplement the laws on industrial property or to grant a type of protection that no such law can provide. In order to fulfill this function, unfair competition law must be *flexible*, and protection thereunder must be independent of any formality such as registration. In particular, unfair competition law must be able to adapt to all new forms of market behavior. Such flexibility does not necessarily entail a lack of predictability. Of course, unfair competition law can never be as specific as patent law or trademark law; yet experience in many countries has shown that it is possible to develop an efficient and flexible system of unfair competition law and at the same time to ensure sufficient predictability.

III. THE LEGAL BASIS FOR PROTECTION

A. *Development of Unfair Competition Law*

12. All countries that have established market economy systems have devised some kind of safeguard against unfair business practices. In doing so, however, they have chosen quite *different approaches*. While in other areas of industrial property law, such as those dealing with patents, designs or marks, it is generally agreed that protection is best afforded by a specific, comprehensive statute, the legal basis for the repression of unfair competition can range from a succinct general tort provision to detailed regulation in a special statute. The reason for this diversity of approaches is often purely historical.

13. The concept of unfair competition law emerged first in *France* around 1850. Although at that time there was no specific prohibition of dishonest business practices, the French courts were able to develop a comprehensive and effective system of unfair competition law on the basis of the *general provision* contained in Article 1382 of the French Civil Code, according to which unlawful acts entail an obligation to pay damages. As far as the protection of competitors is concerned, the principles developed by court decisions on the basis of Article 1382 of the French Civil Code are still the main bases for relief against unfair competition in France. For the protection of consumers, a law on fraud in connection with products was enacted as early as 1905, and has since been complemented by numerous statutes and decrees, including the so-called "Loi Royer" of 1973, which prohibits misleading advertising, and the Consumer Information Laws of 1978 and 1989.

14. In *Germany*, the situation evolved differently. Since the courts refused to extend the tort provisions of the Civil Code to unfair business practices, it was necessary to enact *specific legislation* on the subject. Thus the Law Against Unfair Competition of 1909 became, and has remained, the main basis for the repression of acts of unfair competi-

tion. The Law contains two general provisions on dishonest and deceptive trade practices, around which special provisions, for example, on the protection of trade secrets, are grouped. Furthermore, it relies almost exclusively on private party complaints, granting capacity to sue to competitors, consumers and business organizations. The German courts, relying especially on the two general provisions contained in Articles 1 and 3 of the Law, have developed a comprehensive system for the repression of unfair trade practices, which aims at protecting not only competitors but also consumers and the public at large.

15. The law of the various jurisdictions that make up the *United Kingdom* (England, Scotland, Wales and Northern Ireland) has taken a different approach, based on common law and equity, and has not developed a separate legal regime for protection against unfair competition. A traditionally liberal approach makes for reluctance to enact general rules that allow subjective opinions to be held on what is "fair" or not. The tort of passing-off, which has been recognized since 1824, is regarded as sufficient protection for competitors. Consequently, civil remedies for *competitors* are still restricted to isolated cases under uncodified tort principles, in particular the protection against passing-off, claims of injurious falsehood or breach of confidence. On the other hand, provisions on *consumer* protection against misleading acts were already introduced in 1862 and have in the meantime been supplemented by an autonomous set of consumer protection statutes, such as the Trade Descriptions Act of 1968, the Fair Trading Act of 1973, the Unsolicited Goods and Services Acts of 1971 and 1975 and the Consumer Protection Act of 1987. In 1988, the Control of Misleading Advertisements Regulations were enacted pursuant to the EC Directive of 1984. Additionally, a number of self-disciplinary advertising codes are fully recognized.

16. As in the United Kingdom, unfair competition law in the *United States of America* developed from judicial decisions, especially from the common law tort of passing-off. And, again as in the United Kingdom, there was – and is – no comprehensive common law tort of unfair competition. However, limited statutory relief against false claims about one's own product in interstate commerce has been granted since 1946 under the trademark protection provision of Section 43(a) of the trademark law (Lanham Act). In 1988 that provision was extended to cover also false or misleading representations about another's product or service. In addition, a federal agency, the Federal Trade Commission (FTC), was created in 1914, which has broad jurisdiction to pursue

any unfair or deceptive act or practice in or affecting interstate commerce. However, Section 5(a) of the FTC Act gives no right of action to injured competitors or consumers, whereas the statutes against unfair business practices which all States enacted in the latter half of this century (typically modelled on the FTC Act) often allow legal action to be brought by interested parties.

17. The above examples show how unfair competition law has developed differently in different countries. In the meantime many countries have passed *special legislation* on the subject or have replaced earlier laws on unfair competition. As regards recent legislative activity in this area, Switzerland adopted a Law Against Unfair Competition in 1986 which contains a broad general provision and a detailed regulation of specific market behavior, for example slavish imitation; Hungary adopted a Law on the Prohibition of Unfair Market Practice in 1990 which regulates unfair competition and antitrust law; Spain's Unfair Competition Law of 1991 contains a detailed regulation on practices harmful to consumers and competitors; and in 1991 Belgium adopted a Trade Practices and Consumer Protection Law which emphasizes the idea of consumer protection.

B. *International Protection: Article 10bis of the Paris Convention for the Protection of Industrial Property*

18. Article 1(2) of the Paris Convention mentions the repression of unfair competition along with patents, utility models, industrial designs, trademarks, trade names, indications of source and appellations of origin among the objects of industrial property protection, and Article 10bis contains an express provision on the repression of unfair competition (the text is reproduced in paragraph 1, above). In the more than one hundred States party to the Paris Convention the legal basis for the protection against unfair competition may thus be found not only in national legislation but also at the international level.

19. Under Article 10bis(1) of the Paris Convention, the countries of the Paris Union are bound to ensure *effective protection against unfair competition*. Article 10ter(1) of the Convention further provides for the obligation to ensure "appropriate legal remedies." In particular, measures must be taken to permit federations and associations repre-

senting interested industrialists, producers or merchants to take action, provided that this is not contrary to the laws of the country concerned and does not exceed the rights normally granted to national associations.

20. *Article 10bis(2)* of the Paris Convention defines unfair competition as any act of competition contrary to *honest practices* in industrial or commercial matters. This definition leaves the determination of the notion of “commercial honesty” to the national courts and administrative authorities. Member States of the Paris Union are also free to grant protection against certain acts even if the parties involved are not competing against each other.

21. *Article 10bis(3)* of the Paris Convention gives three examples of cases that “in particular” have to be prohibited. These *examples* must not be seen as exhaustive, but rather as the minimum protection that has to be granted by all member States. The first two – creating confusion and discrediting – can be regarded as belonging to the “traditional” field of competition law, namely that of competitor protection. The third one – misleading – was added by the 1958 Revision Conference in Lisbon, and takes into account the interests of both competitors and consumers.

22. Apart from *Articles 10bis* and *10ter*, the Paris Convention contains several provisions relevant to protection against acts of unfair competition in a broader sense, especially those concerning *trademarks* and *trade names*. For example, *Articles 6sexies* and 8 provide for the protection of service marks and trade names, respectively. The protection of *indications of geographical origin*, to the extent that it is not provided by *Article 10bis(3)*, results from *Article 10* and *Article 9*, to which *Article 10* refers.¹ Special agreements concluded within

¹ *Articles 9* and *10* of the Paris Convention read as follows (the text of *Article 10bis* of the Paris Convention appears in paragraph 1, above):

“*Article 9*

(1) All goods unlawfully bearing a trademark or trade name shall be seized on importation into those countries of the Union where such mark or trade name is entitled to legal protection.

(2) Seizure shall likewise be effected in the country where the unlawful affixation occurred or in the country into which the goods were imported.

(3) Seizure shall take place at the request of the public prosecutor, or any other competent authority, or any interested party, whether a natural person or a legal entity, in conformity with the domestic legislation of each country.

(4) The authorities shall not be bound to effect seizure of goods in transit.

the Paris Convention, namely, the Madrid Agreement for the Repression of False or Deceptive Indications of Source on Goods and the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, along with bilateral treaties, specifically provide for the international protection of geographical indications.

C. *National Protection: Three Main Approaches to Unfair Competition Law*

23. According to Article 10*bis*(1) of the Paris Convention, the member States of the Paris Union have to provide effective protection against unfair competition. Although they are not obliged to introduce *special legislation* for the purpose, they must provide – at least on the basis of existing general legislation – effective safeguards against all acts “contrary to honest trade practices” and specifically against the practices referred to in Article 10*bis*(3). In the implementation of these treaty obligations, three main approaches can be distinguished.

(Footnote 1, continued)

(5) If the legislation of a country does not permit seizure on importation, seizure shall be replaced by prohibition of importation or by seizure inside the country.

(6) If the legislation of a country permits neither seizure on importation nor prohibition of importation nor seizure inside the country, then, until such time as the legislation is modified accordingly, these measures shall be replaced by the actions and remedies available in such cases to nationals under the law of such country.

Article 10

(1) The provisions of the preceding Article shall apply in cases of direct or indirect use of a false indication of the source of the goods or the identity of the producer, manufacturer, or merchant.

(2) Any producer, manufacturer, or merchant, whether a natural person or a legal entity, engaged in the production or manufacture of or trade in such goods and established either in the locality falsely indicated as the source, or in the region where such locality is situated, or in the country falsely indicated, or in the country where the false indication of source is used, shall in any case be deemed an interested party.”

(1) *Protection Mainly Based on Specific Legislation*

24. Several countries have enacted *special statutes*² or *specific provisions within broader statutes*,³ which, sometimes combined with provisions in general statutes such as the Civil Code, deal with protection against unfair competition. These statutes provide for civil or criminal sanctions and contain a broad general provision (often modelled on Article 10*bis*(2) of the Paris Convention) which is supplemented by detailed provisions on specific forms of unfair trade practice; they usually provide for civil sanctions and, in respect of specific cases, also for criminal sanctions. Although many of these countries have also enacted additional legislation concerning acts relating to certain products (food, drugs, etc.), the media (television) or marketing practices (gifts, bonuses), the statute against unfair competition remains the *main basis for protection*. Often the scope of that statute has been made even broader by the assumption that the violation of any other law can be an unfair trade practice because it gives an undue advantage in competition over the law-abiding competitor. In some countries the concept of a special law on competition has evolved towards the adoption of a more general law on market behavior,⁴ or the link with antitrust law is stressed by the enactment of statutes that deal with the institution of competition itself as well as with fairness in competition.⁵

(2) *Protection Based on General Tort Law and/or on the Law Concerning "Passing Off" and Trade Secrets*

25. In a group of countries with a civil-law tradition,⁶ which follow the approach consisting in the protection of the honest businessman, such protection is usually to be found in the *general tort law*. In another group of countries which follow common law traditions,⁷ the

² For example, Austria, Belgium, Denmark, Finland, Germany, Japan, Luxembourg, Peru (see also footnote 3), the Republic of Korea, Spain, Sweden and Switzerland.

³ For example, Bolivia, Brazil, Bulgaria, Canada, Colombia, Hungary, Mexico, Peru, Romania and Venezuela (as regards Bulgaria, Hungary and Romania, see also footnote 5).

⁴ This has been done, for example, in Belgium, Sweden and, to a certain extent, Switzerland.

⁵ This has been done, for example, in Bulgaria, Hungary (the relevant law has the title "Law on the Prohibition of Unfair Market Practice"), Romania and Venezuela.

⁶ Notably France, Italy and the Netherlands.

⁷ Notably in the various jurisdictions of the United Kingdom.

actions for *passing off* and for violation of trade secrets developed by the courts (at least originally) remain the main basis for the protection of competitors. As for the protection of *consumers*, a number of the same two groups of countries have, in addition, enacted separate sets of laws regulating specific cases of undesirable market behavior, such as misleading advertising, price comparisons, lotteries, games and bonuses; those laws are essentially independent of the protection of competitors under civil law or common law principles.

(3) *Combination of the Above Two Approaches*

26. Most countries party to the Paris Convention – even those that at first attempted to regulate unfair competition by means of general tort law – provide for a *combination* of general civil code principles, case law and special laws. In many countries with a *federal structure*, the division of legislative competence between the federal legislature and the legislatures of the federated States has led to an even more complex combination of the various forms of protection. In some of those countries, the federal legislator even has no jurisdiction over unfair competition to the extent that it is considered a State common law tort. Where, in such countries, protection is granted by the States, it is in general better developed than that granted at the federal level. In the United States of America, in particular, the limited availability of common law remedies against unfair competition was first dealt with in federal law through the establishment of an administrative authority (the Federal Trade Commission), and more recently through the extension of a federal law provision on trademarks (Article 43(a) of the trademark law (Lanham Act)) to a wide variety of misleading representations. Yet the most progressive regulation is to be found in the “business laws,” “little FTC Acts,” “Consumer Protection Laws” and other legislation adopted by States within the United States of America.

D. *The Role of Jurisprudence*

27. In spite of the different approaches mentioned above, all countries that have introduced effective safeguards against unfair competition take particular care over the *enforcement* of the law, and usually allow

their courts considerable discretion. The success of an unfair competition law depends largely on what the courts make of it. A few words in a general tort provision may be a sufficient basis on which to develop an efficient system of unfair competition law, while a most impressively drafted statute may give disappointing results. This does not mean, however, that an explicit and detailed regulation of unfair trade practices is not useful: it will at least have some preventive effect on market behavior; but it will remain ineffectual if it is not activated by the courts. In the ever-changing world of competition, even the most perceptive legislator cannot possibly anticipate all future forms of unfair market behavior and must rely on interpretation of the law by the courts. Many countries have therefore supplemented their explicit provisions against certain market practices with a *general provision*, which allows the courts to include new forms of unfair market practice in the general system.

IV. THE ACTS OF UNFAIR COMPETITION

A. *General Definition*

28. According to Article 10bis(2) of the Paris Convention, unfair competition consists in “any act of competition contrary to *honest practices*.” Most countries with special laws on unfair competition have adopted the same or similar definitions for their general provision – using such terms as “honest trade practices” (Belgium and Luxembourg), “the principle of good faith” (Spain and Switzerland), “professional correctness” (Italy) and “good morals” (Germany, Greece and Poland). In the absence of specific legislation, the courts have defined fair competition with phrases like “the principles of honesty and fair dealing” or “the morals of the marketplace” (United States of America).

29. 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. Furthermore, there are always new acts of unfair competition, since there is ostensibly no limit to inventiveness in the field of competition. Any attempt to encompass all existing and future acts of competition in one sweeping definition – which at the same time defines all prohibited behavior *and* is flexible enough to adapt to new market practices – has so far failed.

30. This does not mean, however, that unfair competition is incapable of any general definition, and that the best one can do is label concrete examples of market behavior as being unfair. On the contrary, there

are some aspects that clearly indicate which practices are to be considered "fair" and which "unfair."

31. It has been generally recognized that certain acts of commercial behavior are always (or, as Article 10bis(3) of the Paris Convention puts it, "in particular") considered to constitute unfair competition. The most notable of those acts are the causing of confusion, discrediting and the use of misleading indications. The *common aspect* of these most important, but by no means exhaustive, examples of unfair market behavior is 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. Practices that involve such methods are therefore doubtful at the outset as to their fairness in competition.

32. Another reference point could be the *subjective element* in the unfair act. At first sight, the notion of "honesty" seems to refer to a moral standard, and some sort of *legal/ethical standard* is indeed involved. This, however, has to be distinguished from the question whether an act of unfair competition can be established in the absence of any fault, bad faith or negligence. Where unfair competition law has been developed on the basis of general tort provisions, the "tort of unfair competition" requires some kind of subjective element such as "fault" or "bad faith." In practice, however, the element of fault or bad faith is often assumed by the courts. Such subjective elements are therefore not essential to the notion of fairness in competition. Indeed, with certain exceptions, rather objective standards are applied for the purposes of establishing an act of unfair competition; of course, subjective conditions may be relevant for the purpose of determining the sanction applicable. Sometimes this objective approach to unfair competition law is expressly stated in the legislation, as in the Spanish law of 1991, which uses the expression "any act against good faith in an *objective sense*."

33. The most important factor for determining "unfairness" in the marketplace, however, is derived from the *purpose* of unfair competition law. In this respect, unfair competition law was initially designed to protect the honest businessman. In the meantime, consumer protection has been recognized as equally important. Moreover, some countries put special emphasis on the protection of the public at large, and

especially its interest in the freedom of competition. Modern unfair competition law therefore serves a threefold purpose, namely: the protection of competitors, the protection of consumers and the safeguarding of competition in the interest of the public at large. As stated in the Swiss law of 1986 and the Spanish law of 1991, the purpose of unfair competition law is to ensure fair and undistorted competition in the interest of all concerned. In practice, this means that unfair competition has also to be defined *functionally*, taking into account particularly the interests of those “concerned” by it, namely the parties involved in the operation of the marketplace.

34. One party who is always “concerned” is the honest *businessman*. Since unfair competition law started as a special law for the protection of the honest businessman, *a businessman’s standard of behavior* logically serves as a starting point. A practice that is condemned as improper by all businessmen can, therefore, hardly qualify as a “fair” act of competition.

35. On the other hand, certain practices may be generally accepted within a branch of business but nevertheless considered “improper” by other market participants. In such cases, there has to be some *ethical correction* of the actual standards of behavior. Ethical standards dictate in particular that the interests of consumers must not be unnecessarily impaired, for example, by disregard for the principle of truthfulness (on which the consumer relies in his transactions), by enticement of the consumer into unsocial or even harmful behavior or by invasion of his privacy.

36. Furthermore, there may be practices that at first sight are not prejudicial either to other businessmen or to consumers, but nevertheless may have unwanted effects on the *economy at large*. For example, selling at dumping prices may in the long run destroy small and medium-sized businesses, and thus have adverse effects on free competition. Where these economic aspects are incorporated in unfair competition law,⁸ such behavior will often be expressly labelled as “unfair.”

37. When determining “honesty” in business dealings, all these factors have to be taken into account. In practice, the concept of unfair competition has increasingly become a *balancing of interests*. Differ-

⁸ As in Belgium and Hungary.

ences in the evaluation of what is “fair” or “unfair” can generally be explained by the different emphasis placed on the aspects referred to above. For example, a particular kind of market behavior may well be seen differently in countries where the traditional law of unfair competition still focuses on the protection of the honest competitor, as opposed to countries that put special emphasis on the protection of consumers or the public at large.

38. On the other hand, there is broad agreement that at least some acts and practices are always irreconcilable with the notion of fairness in competition. These are discussed in detail below.

B. Categories of Acts of Unfair Competition

(1) General Explanation

39. Acts of unfair competition may be categorized in a variety of ways, depending on the criteria applied or the emphasis given to certain aspects of a given act or form of behavior. An act which is found to be “unfair” will often have taken place in circumstances which are complex, and which require scrutiny and judgment on the basis of established or prevailing standards. An act may be found to be unfair on more than one count, depending on the approach adopted to characterize the act. Therefore, one and the same act may fall into two or more categories. Likewise, no systematic categorization or classification of the acts of unfair competition can avoid some degree of overlap among the concepts and categories used.

40. For the purposes of establishing categories of acts of unfair competition and facilitating their analysis in this study, two broad groups of acts of unfair competition are distinguished, namely acts of the types expressly mentioned in Article 10*bis* of the Paris Convention and acts not expressly mentioned in Article 10*bis*.

(2) Acts Expressly Mentioned in Article 10bis

41. Article 10*bis*(3) (see paragraph 1, above) contains a non-exhaustive list of three types of acts of unfair competition, namely, acts likely

to cause confusion, acts that discredit a competitor, and acts that may mislead the public. Because the acts that are likely to cause confusion and those that may mislead the public are akin to one another and sometimes overlap, they are dealt with before the act of discrediting a competitor.

(a) Causing Confusion

(i) General Circumstances Under Which Confusion Is Established

42. Article 10bis(3)1 of the Paris Convention obliges member States to prohibit all acts that are of such a nature as to create confusion, by any means, with the establishment, the goods or the industrial or commercial activities of a competitor. The scope of Article 10bis(3)1 is very broad, as it covers any act in the course of trade involving a mark, sign, label, slogan, packaging, shape or color of goods, or any other distinctive indication used by a businessman. Thus not only *indications* used to distinguish goods, services or businesses but also the *appearance of goods* and the presentation of services are considered relevant for the prohibition of confusion. For example, Article 2598(1) of the Italian Civil Code expressly provides that anyone who uses names or distinctive signs likely to cause confusion with those of another person, or slavishly imitates the product of a competitor, or by whatever other means creates confusion with the names, signs, products or activities of competitors, commits an act of unfair competition. Similarly, under Article 6 of the Spanish Law on Unfair Competition, any acts that are capable of creating confusion with the activities, achievements or business of another, including the likelihood of association by consumers with respect to the commercial source, is deemed unfair. In the countries with a common law tradition, the concept of “passing-off” is broad enough to provide all types of indication, product and other subject matter with protection against confusion.

43. Under Article 10bis(3)1 of the Paris Convention, the “intent” to confuse is immaterial for the purposes of determining whether such an act constitutes an act of unfair competition. However, bad faith on the part of the imitator may have a bearing on the sanctions to be applied. Also, it is not usually necessary for confusion actually to have occurred, as the *likelihood of confusion* is often sufficient for an action

based on unfair competition. Finally, protection against confusion is provided *without any limitation in time*. Protection is available as long as confusion is likely, but sufficient latitude is allowed for the use of non-confusing indications in respect of products, services and businesses, so that competition in the relevant market is not stifled. However, as soon as the marketable creation becomes generic or commonplace, it loses its original or distinctive character, and likelihood of confusion may no longer be assumed to the same degree.

44. There are two main areas in which confusion frequently occurs. These are indications of commercial origin on the one hand, and the appearance of goods on the other. However, this does not preclude or limit the protection of other attributes or achievements against confusion.

(ii) *Types of Confusion*

45. Confusion can be established in different ways. The test for the *basic type of confusion* is whether the similar mark so resembles the protected mark that it is liable to confuse a substantial number of average consumers as to the *commercial source* of the goods or services. Factors frequently considered in determining confusion are the degree of distinctiveness of the protected mark, the size and reputation of its owner, the sophistication of the consumers concerned and, of course, the similarity of the marks and the goods or services involved. In many countries, confusion is not restricted to basic confusion as to the commercial source, but also includes that which gives the impression of a strong business connection between the two users of the same trademark or similar trademarks, i.e., confusion as to *affiliation*. However, the use of an identical or similar mark on clearly unrelated or completely different goods usually falls outside the scope of protection, as a large degree of dissimilarity of the goods or services involved will lead consumers to assume that the source of the goods or services is not the same and also that there is no particular business connection between the users.

46. A third form of confusion that has been referred to, for example, under Section 43(a) of the Lanham Act of the United States of America and under Section 53 of the Australian Trade Practices Act, is called confusion as to *sponsorship*. Under this test for confusion, consumers

will assume both that the goods or services do not originate from the same source and that the two enterprises do not entertain business relations so intensive and continuous as to cause confusion as to affiliation. Nevertheless, the consumer will expect, from the similarity of the marks, from the types of product or service that the mark is used for and from the manner of use by the second user, that the use of the protected mark by the second user has been *authorized by agreement* for a certain period of time. This type of confusion can be relevant, for example, in cases where the third party uses the mark (without authorization) for ornamental purposes on goods. However, unlike confusion as to source or affiliation, this third type of confusion has not the same status as other fully established grounds for relief under statutory trademark laws, as its exact boundaries are still developing.

47. This concept of confusion may be relevant to so-called "*publicity*" rights, relating to well-known artists and media or sports personalities, and to "*merchandising*" rights, relating to fictional characters in literary or artistic works. These rights concern relatively new marketing techniques whereby enterprises are "licensed," for a certain period of time, to make use of the popularity or fame symbolized by the names or likenesses of certain personalities or characters, as this use is expected to stimulate consumer demand for the product or service of the "licensee." Consumers would generally be misled by the use of the name or likeness of the personality or character in connection with the product or service into believing that the personality or the owner of rights in the character, which could also be a registered mark, had *expressly authorized* the use of their personality or character.

(iii) *Confusion With Respect to Indications*

48. An indication can be any sign, symbol or device that conveys to the consumer the message that a product or service on the market comes from a particular commercial source, even if this source is not known by its name. Indications may therefore consist of two-dimensional or three-dimensional signs, labels, slogans, packaging, colors or tunes, but are not limited to these. Protection against confusion with respect to indications is already available under specific legislation on trademarks, service marks and trade names. However, this protection

is often limited in several ways. The limitations may concern the *applicability* of the specific law to certain types of indication, or the exact *scope of protection*. Thus protection against confusion under unfair competition law may still be relevant where the specific legislation does not afford overall protection against confusion. This aspect is also relevant to the protection of *well-known marks* against confusion, as required by Article 6bis of the Paris Convention.

[Limited Applicability of Specific Legislation]

49. The general applicability of trademark law is usually confined to particular indications. Some countries do not, for example, recognize titles of single literary works or films, get-up (product appearances), shop interiors, colors or color combinations, or trade dress under statutory trademark law. As regards service marks, although most countries have a system for the registration of such marks in the same way as trademarks, in those that do not, protection under the rules of prevention of unfair competition is needed. Also, even in countries where three-dimensional trademarks are recognized and registrable, particular shapes may nevertheless be excluded. For example, shapes determined solely by the nature of the goods, appearances resulting from some technical or industrial function of the goods and product configurations determining the essential value of the goods are expressly excluded by the EC Directive to Approximate the Laws Relating to Trade Marks. The “functionality” doctrine, particularly developed in the United States of America, produces similar results.

50. Apart from this, protection under trademark law can sometimes be invoked only for marks that have been properly registered in the country where protection is sought. In this respect *Article 6bis of the Paris Convention* constitutes an exception in favor of a *well-known mark*, which does not need to be registered in order to be protected against the potentially confusing use of a mark that is a reproduction or an imitation of the well-known mark and is used for identical or similar articles. It is to be noted that a trademark may be well known in a country before it is registered or even used in that country, as a result of the advertising or reputation of the mark in other countries.

51. Unfair competition law may provide protection against confusion for indications or signs that are not protectable under trademark law. However, the *availability of protection* for a sign under unfair com-

petition law will depend partly on the reasons for the lack of protection for unregistered signs under the special laws. If a sign can in principle be covered by the specific legislation but does not meet the substantive requirements of that legislation, it would not seem consistent with a balanced system of protection to grant that sign the same protection under unfair competition law as would be granted to it under the special law. It is therefore argued that protection against confusion should only be available under unfair competition law if the indication or sign to be protected has *sufficient distinctiveness* to distinguish the products, services or other business activities concerned from the same or similar activities of other traders. Nevertheless, in order to promote the registration of marks, some unfair competition laws require more than just a minimum degree of distinctiveness for the protection of unregistered indications. For example, Article 2(1) of the Unfair Competition Prevention Law of the Republic of Korea requires the indication to be “widely known,” which could in some cases restrict actual protection to one particular region.

52. The *degree of distinctiveness* of an indication that is not protected under statutory trademark law is assessed in relation to the same factors as apply to registered marks, including the meaning and the appearance of the indication, and its uniqueness compared with other indications for the same or a similar activity. Even if distinctiveness is inherently lacking, for example, owing to the descriptive nature of the indication for particular goods or services, the indication can be protected if it has acquired “distinctiveness by use,” or *secondary meaning*, in the country where protection is sought. Secondary meaning implies that, as a result of continuous and exclusive use of the mark on the market, a substantial number of consumers have become aware of it and will associate the activity carried on under it with a particular commercial source. In Germany, for example, the trademark “4711” for perfume has been considered sufficiently distinctive as a result of public awareness that the goods under that mark come from a particular source. In fact the degree of secondary meaning depends on the market for the goods or services involved and the degree of descriptiveness of the indication in relation to those goods or services. The degree of secondary meaning (or percentage of consumers) necessary to achieve sufficient distinctiveness varies according to the practices of the court concerned. In some countries,⁹ opinion polls or *market surveys* on con-

⁹ Notably Germany.

sumer reactions often provide empirical data with which to determine the degree of secondary meaning, whereas in other countries¹⁰ the courts themselves will judge whether an indication has acquired sufficient distinctiveness.

53. Secondary meaning analysis also applies to indications that have been *expressly excluded* from statutory trademark protection. For example, the configurations or shapes of goods that are deemed to be excluded from statutory protection under trademark law by the EC Directive to Approximate Laws Relating to Trade Marks may still acquire secondary meaning among consumers in a particular market. Under those circumstances, protection against confusion is justified if consumers could be led to believe mistakenly that other goods using the configuration come from the first user. It may not always be easy, however, to establish the necessary degree of secondary meaning, since the particular configuration of the goods must be recognized by the relevant consumers as indicating a particular source. If the exclusion in the specific legislation is clearly intended to dismiss the indication as not worth protecting at all, for example, in the case of purely descriptive words, protection is likely to be denied also under unfair competition law.

[Limited Scope of Trademark Protection]

54. Limitations on the *scope of protection* afforded by trademark law may also have the effect of allowing indications to be protected against confusion under unfair competition law. Although trademark laws usually grant protection against any potentially confusing use of a registered trademark, there may still be differences with respect to the exact scope of the protection against confusion. For example, protection against the use of the same or a similar mark might be restricted to those goods or services for which the mark is registered. If a mark identical or similar to the registered trademark is used for other goods or services and that use is likely to cause confusion, such protection might only be available under unfair competition law or passing-off principles. Generally, trademarks are protected against the use of identical or similar signs not only in respect of identical goods or services but also in respect of *similar* goods or services. This type of protection derives from what is sometimes called the “principle of speciality,”

¹⁰ Notably Italy and France.

as the protection is related to the trademark's primary function of distinguishing the goods of one enterprise from those of competitors and other market participants. Thus if trademark protection is not available because the goods or services involved are held to be dissimilar (although confusion as to source may in fact be possible), protection against confusion can be sought under unfair competition law. However, there are also trademark laws that consider the likelihood of confusion to be the sole criterion for protection, regarding the similarity of the goods or services involved as not decisive in itself, but only as one of several determining factors. This kind of statutory protection would encompass all types of confusion.

55. The *criteria* used to judge the similarity of indications are, with some minor differences, the same throughout the world. The determining factors include the common elements of appearance, pronunciation and meaning or verbal translation of the marks involved, but the decisive factor is the *overall impression on the average consumer* of the goods or services involved. Particularly if the goods are for mass consumption, the individual elements of the marks involved are less carefully examined by the average consumer. Since the two marks are as a rule not closely examined side by side, in practice the similarities between the indications are more important than the differences. The similarity of the goods or services depends largely on the question whether consumers would generally expect the goods or services to originate from the same source. However, they do not need to be either functionally interchangeable or competitive.

56. Protection against confusion may be too limited for so-called "*well-known*" marks and, in particular, for marks with an even higher reputation. Article *6bis* of the Paris Convention requires member States to protect trademarks that are well known in their country against any potentially confusing use of similar trademarks, but that obligation is only relevant for identical or similar goods. In certain cases, the unauthorized use of well-known marks for different goods or services may nevertheless cause confusion among consumers. For example, if the mark has been used for a broad range of products and has been extensively advertised or is well known for the particular "image" of its proprietor, consumers might associate such a mark with a certain origin and quality consistency rather than with goods or services of a specific kind. Such associations can also cause confusion. The member States are not obliged under Article *6bis* to grant this extended

protection, but unfair competition law may be relevant. The question whether a trademark is “well known” in a given country for the purposes of Article 6bis of the Paris Convention has to be decided in each case on the basis of the facts. Usually, the factual determination of the notoriety of a trademark is based on its reputation and image in the mind of the trade circles and consumer groups concerned at the place and time relevant in the particular case. Factors such as the mark’s inherent distinguishing power, the length of time that it has been used in the given country, the amount of advertising and other publicity given to it in various media and its established association with particular goods or services are often taken into consideration.

57. Statutory trademark law frequently requires that the use of a similar mark must be a form of *trademark use*, that is, use as an indication of the commercial source of the products or services. Thus ornamental use, such as use on advertising material or as a mere decoration on goods, for instance on ballpoint pens or ashtrays, or even as the configuration of an actual product such as an earring in the shape of the mark, is not always regarded as falling within the scope of statutory trademark protection. Protection against this type of use could, however, be sought under unfair competition law. One example of a trademark law that is very extensive in the above respects is the Uniform Benelux Trademark Law of 1971, which provides a broad definition of registrable marks and protection against any use of an identical or similar trademark by others without proper justification that is likely to cause prejudice to the trademark proprietor.

[Trade Names]

58. Similar limitations on protection against the unauthorized use of traders’ or businesses’ indications are to be found in the protection of *trade names*. Trade names serve to identify and to distinguish an enterprise and its business activities from those of other enterprises. Article 8 of the Paris Convention imposes the obligation to protect trade names in all countries of the Paris Union, without specifying what kind of protection should be granted or how it should be given. Nevertheless, trade names must be protected without any obligation of filing or registration. Most countries already protect trade names against the risk of confusion. This protection applies not only where trade names are covered by a special law, but also where they are protected under special provisions of unfair competition law, civil law,

company law or commercial law. As a general rule, a direct competitive relationship between the enterprises concerned is not decisive, but remains relevant in determining whether the use of the same or similar trade names might confuse consumers regarding the identity of enterprises or the relationship between them. The protection may extend beyond the particular field in which the prior trade name is used, as trade practice or the likelihood of expansion and diversification of the activities of the enterprise is frequently taken into account by the courts. Thus the scope of protection of trade names against confusion may sometimes be a little wider than the scope of protection of trademarks under trademark law.

(iv) *Confusion With Respect to Product Shapes*

59. The actual shape of a product could also lead to confusion among consumers. If the shape is so well known that consumers will relate the product with a particular commercial *source* (as in the case of the "Coca-Cola" bottle), then the shape can be regarded as a protectable indication.

60. It must also be noted that specific legislation is available in many countries for the protection of *industrial designs*, either to complement or to replace copyright protection for works of so-called "applied art." Such legislation usually prohibits the use of identical or similar product appearances for identical or similar goods. However, as with trademark legislation, protection under special laws on industrial designs is also limited in several ways, which vary significantly from country to country. In a manner similar to the specific protection under trademark laws, such limitations may concern the *general applicability* of the designs law to certain product appearances and also the *exact scope of the protection* granted by the specific legislation. For example, if the design protection of a surface decoration is limited to the use of the decoration on products for which the design is registered, protection against copying of the design for the decoration of other products may be obtained under unfair competition law, if the copied design is misleading or causes confusion as to the commercial source.

61. For protection against confusion concerning the *products* only, most requirements under unfair competition law are established by case law, frequently with reference to the practice of "*slavish imitation*." Within this particular field of unfair competition law, it has often been

stated that, as a principle inherent in the free market system, market participants are free to imitate designs or other shapes, appearances or visual characteristics of products that are not protected by specific laws such as patent, copyright, design or possibly trademark laws.¹¹ Some of those specific laws even expressly preclude protection under unfair competition law for acts that are covered by the specific legislation if the design involved could be protected under that legislation. For example, Article 14(5) of the Uniform Benelux Designs Law of 1975 precludes actions to protect registrable designs under unfair competition law if protection could have been granted had the design been properly registered. Therefore, the mere risk of confusion as to the shape of the products will be insufficient to constitute unfair competition if the design would have been protectable under a specific law and product imitation would have been covered by that specific legislation. On the other hand, the risk of confusion as to the products may be sufficient to obtain protection under unfair competition if the design involved reveals a certain degree of originality but cannot be registered as a design owing to other requirements of the specific legislation, or if registration has been applied for but not yet secured.

62. If the design, shape or other characteristic non-functional features of the product are associated to a substantial degree by consumers with a certain source or origin, potential *confusion as to the source* of the product will usually constitute an act of unfair competition. Whether such potential confusion occurs in cases of imitation will be determined by the same factors as outlined above with respect to indications, that is, after examination of the question whether the characteristic features of a product have acquired a sufficient degree of secondary meaning, and the product designs involved will be judged on their similarities. In some countries¹² it is accepted that the risk of confusion as to source can be reduced by the use of *disclaimers*, like a clearly visible statement ruling out the possible assumption that the product or service comes from a particular source. However, such disclaimers are only seldom recognized as sufficiently reducing the risk of confusion.

¹¹ For example, under Article 11(1) of the Spanish Law on Unfair Competition, the imitation of achievements and entrepreneurial initiatives of another person is permitted, unless they are protected by an exclusive right. However, Article 11(2) contains an exception to this principle for cases of unfair imitation.

¹² Notably Japan.

63. Protection against confusion as to the *commercial source* of a product may also be available under specific trademark law if the applicable trademark legislation provides for the protection of three-dimensional marks or the “get-up” of products. However, if the product’s appearance is not registered as a trademark, or if particular forms are possibly excluded from statutory trademark protection, the same principles as outlined above will apply to the protection against confusion between product shapes under unfair competition law.

(b) Misleading

(i) General

64. Misleading can roughly be defined as creating a false impression of a competitor’s *own* products or services. It may well be the single most prevalent form of unfair competition, and it is by no means harmless. On the contrary, misleading can have quite serious consequences: the consumer, relying on incorrect information, may suffer financial (or more harmful) prejudice. The honest competitor loses clients. The transparency of the market diminishes, with adverse consequences for the economy as a whole and economic welfare.

65. Since truthfulness is rightly considered to be one of the main principles of honest trade practice, it is generally agreed that the prohibition of deception is essential to the concept of fairness in competition. Or, as Article 10*bis*(3) of the Paris Convention states, any indication or allegation that is likely to mislead, has “in particular” to be regarded as being contrary to honest practice.

66. Consequently, most member States of the Paris Union have included the prohibition of misleading acts or practices in their legal systems (or have even passed specific laws on the subject). In addition, the courts have developed a particularly abundant case law on misleading. Even in countries where in the past protection against deception has been less strong than in others, recent developments indicate a move towards greater strictness. In the search for effective legal solutions, however, countries have chosen quite divergent methods. A significant factor of this divergence is that misleading acts are primarily directed to the *consumer* and not directly to competitors. Where consumer protection is primarily looked upon as a matter of criminal

law, enforcement is left to the State enforcement authorities. However, most of the countries that have specific legislation on unfair competition have included a provision against deception into the relevant laws,¹³ thus adopting a civil law approach.

67. While, on the whole, the regulation of misleading makes a many-faceted picture, most countries share the distinction between “normal” misleading, which may be done in good faith, and *special cases of misleading*, which may have particularly severe consequences. For the most serious cases of misleading, such as malicious misleading or deception in the health and drug field, several countries have introduced criminal sanctions in addition to civil law remedies. Moreover, special cases of potential deception such as bonuses, gifts, clearance sales and travelling sales are often regulated in detail. Even tighter restrictions are frequently imposed by self-regulatory institutions, which in some countries¹⁴ have reached a particularly advanced state of development as regards protection against misleading.

68. In some countries the existing protection against misleading practices is to some extent a result of international *harmonization*. Because of the internationalization of commerce and communication media such as television, misleading acts and practices, especially in advertising, seldom stop at the border of a given country. Different national laws not only result in different and thus at least to some extent inadequate levels of consumer protection, but also affect the free circulation of goods and services. Countries that are economically bound in a common market have a particular need for harmonization of diverging national laws on misleading. Thus the European Community issued a Directive on Misleading Advertising in 1984 in order to set up a minimum objective criterion for determining whether advertising is misleading. A certain degree of harmonization has also been reached among the Nordic and the African countries.

(ii) *The Concept of Misleading*

69. There is a consensus according to which the concept of misleading is restricted neither to inherently false statements nor to statements

¹³ Especially Belgium, Bulgaria, Germany, Hungary, Luxembourg, the Netherlands and Switzerland.

¹⁴ Notably the United Kingdom.

that have actually led to a false impression on the part of the consumer. Instead it is considered sufficient (as it is by Article 10*bis*(3)³ of the Paris Convention) that the indications in question are *likely* to have a misleading effect. Even statements that are literally correct can be deceptive. If, for example, chemical ingredients are generally forbidden in bread, the courts of most countries would consider an advertising claim that a certain bread “was without chemical ingredients” to be deceptive, because, though literally true, it gives the misleading impression that the advertised fact is something out of the ordinary.

70. It is likewise not necessary for the product in question to be inferior, in an objective sense, so long as the indication or allegation has some *enticing effect* on the consumer. For example, if the public prefers domestic goods to foreign goods, a false declaration to the effect that imported goods are domestic is misleading even if the imported goods are of superior quality.

71. It is generally agreed that the question whether or not there is deception must be determined by the *reaction of the addressee* to the statement and not by the intention of its maker. However, the actual determination and evaluation of this reaction may differ from country to country and may also depend on the kind of addressee (consumers or traders) and the type of goods or services. The Paris Convention leaves this question to member States (as does the EC Directive on Misleading Advertising). The different opinions as to what *standards* have to be applied are the result of different answers to the following questions:

- Is the prohibition of misleading meant to protect the average or (also) the less educated, less critical consumer?
- How is the public reaction determined? Empirically or by an overall estimation by the judge himself?
- How many of the addressees must be likely to be misled for a statement to be considered misleading?

72. In a number of countries¹⁵ the relevant standards are set on the basis of the notion of the *average consumer*. Where the courts base their assessments on the judges' own experience, there is a tendency

¹⁵ Notably Belgium, France, Italy, the Netherlands, Spain and the United States of America (as far as Section 43(a) of the Lanham Act is concerned).

to assume that the average consumer is generally well informed and intelligent enough to be immunized against most of the dangers of deception. In those countries the threshold is also considerably higher. Although it is frequently stressed that it is sufficient if a “not unsubstantial proportion of the addressees” are likely to be misled, the tendency is to favor an average deception rate.

73. However, in Germany the emphasis is clearly on the less educated, less critically prepared consumer, who is easily influenced by false statements. Misleading is frequently proven by empirical methods, mainly consumer surveys, and the interference threshold is set very low, at 10 to 15 percent of the consumers.

(iii) *The Communication of Misleading Statements*

74. Since the main area of misleading in commerce is to be found in advertising, most countries with special legislation have focused on misleading *advertising*.¹⁶ Other countries have chosen, as Article 10bis(3) of the Paris Convention has, the broader notion of “*indication or allegation*.”¹⁷ In countries that have a general provision on unfair competition this difference is minimal, however, since there is basic agreement that deceptions other than those in advertising are irreconcilable with “honest trade practice” and can therefore be judged under the general provision.

75. It is further agreed that the exact way in which the allegation, indication or presentation is made is immaterial. So is the form of the message. All methods of *communication* – written, oral or even symbolic – have to be taken into account. Communications may be in the form of trademarks, labels, brochures, radio commercials, television publicity spots, posters and so on. In general, misleading is concerned only with the effect a statement has on the addressee and not with the way in which the statement is communicated.

76. The communication need not contain “information” in a neutral, objective sense in order to be considered under the heading of mis-

¹⁶ For example, Belgium, France, Germany, Greece, Luxembourg and Peru, as well as the EC Directive on Misleading Advertising.

¹⁷ Notably Germany and Switzerland.

leading practices. On the other hand, the concept of misleading is restricted to those indications that might cause *misconceptions* on the part of the consumer. The allegation, indication or presentation must therefore be able to create some sort of *concrete impression* which can be shown to be true or untrue. "Unobjective" or suggestive advertising which does no more than create vague positive feelings about a product is therefore outside the scope of misleading. If in some countries¹⁸ certain kinds of suggestion are forbidden, this is not done under the provisions on misleading, but rather under the general provision concerning honest trade practices.

77. A misleading communication does not necessarily have to be a positive one: a half-truth is always also a half-lie. For example, if it is claimed that a particular slice of bread has fewer calories than others, while this is solely due to the fact that it is thinner, the *omission* of this information can create as strong an incorrect impression as an express statement would have done. Consequently, some countries¹⁹ have expressly mentioned the omission of relevant facts in their lists of misleading practices, or alternatively the courts have recognized that such omission can be a misleading practice.²⁰ An omission cannot always be equated with a positive statement, however. Since no businessman has the general duty to reveal adverse features of the product that he is offering, there can only be deception if the public, in the absence of express information, expects a certain characteristic to be present.

(iv) *Exaggerations*

78. The consequences of the different concepts of misleading can best be seen in the treatment of exaggerations. Although in all countries obvious exaggerations (even if literally inaccurate) are not considered deceptive because they can easily be recognized as "sales talk," the question of what is mere "*hot air*" or "puffing" and what is to be taken seriously is answered differently in different countries. In some countries (such as Germany), it is assumed that the public basically believes all advertising statements, and especially those that claim uniqueness ("the best, the first," etc.); consequently a specially strict

¹⁸ Notably Germany.

¹⁹ Notably Belgium, Bulgaria, Hungary and Spain.

²⁰ Notably Germany, the Netherlands and the United States of America.

standard is applied. Other countries (such as Italy and the United States of America) take the exact opposite position and tolerate generally formulated indications, in particular those in the form of claims of uniqueness. Thus in the United States of America the courts have generally only intervened if the product advertised as the best is in reality inferior.

(v) *The Subject Matter of Misleading*

79. Deceptive statements can be made on *all relevant aspects of business matters*. However, in principle, the prohibition of deception should be broad enough to cover those new forms of misleading that the legislator has not thought of. On the other hand, a statutory provision must give guidance to the courts. In countries with a predominantly civil law approach, this is often achieved by expressly naming those forms that “in particular” must be regarded as misleading, leaving the courts free to take other forms of deception into account. Usually at least the examples given in Article 10bis(3)3 of the Paris Convention are included, namely, “the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.” Often services and indications of geographical origin are also included. Recent legislation on unfair competition also mentions some “modern” examples of misleading. The Greek Decree on Misleading Advertising, for example, expressly refers to misleading statements in the endorsement of products or the passing-off of an advertisement as a press article. The same applies in Belgium. In Hungary, any misleading references to the environment, among other things, are expressly forbidden. Still other countries (and the EC Directive on Misleading Advertising) prohibit any deception with respect to the *identity* of the advertiser. This is interesting inasmuch as there seems to be basic agreement that these specific errors of identity (while they do, of course, involve deception) are rather dealt with under the heading of *confusion* (or passing-off), which is largely covered by specific laws on trademarks and trade names. However, the express inclusion of errors as to commercial origin under the heading of deception is significant in that the special procedure provisions of unfair competition law may be applied. For example, consumer associations may bring an action in a case of misleading involving trademarks, whereas trademark law itself would restrict the right of action to the trademark owner.

80. A list of examples of misleading practices supplemented with a general provision is only possible, however, if the sanctions against misleading are predominantly those of civil law. *Criminal law* usually requires a relatively narrowly worded, enumerative prohibition, although in practice this difference is mitigated by the fact that usually the list of expressly named practices is fairly comprehensive.

(vi) *Subjective Requirements*

81. Even the most careful businessman can issue a statement that the public misunderstands in a way not foreseen by him. Misleading statements, especially in advertising, are therefore not always made in bad faith. On the other hand, even in the absence of any fault on the part of the advertiser, deception in competition has to be stopped in the interest of the consumer and of other competitors. The EC Directive on Misleading Advertising, for example, obliges member States to ensure the cessation of misleading "even without proof of actual loss or damage or of intention or negligence on the part of the advertiser." Countries that favor a civil law approach in the repression of unfair competition usually have few problems in doing so, but where the law against misleading conduct is essentially part of criminal law,²¹ at least in theory some subjective element is required. Because of the difficulty of furnishing such evidence, this "subjective" concept has proved a hindrance. Thus, in practice, the courts have gradually reduced the requirement of intent. This can best be seen in France, where the (criminal) prohibition of misleading advertising in Article 44 of the Loi Royer in theory still requires "bad faith," but where the courts have first reduced this requirement to mere knowledge of facts, and have later even assumed such knowledge.

82. This primarily *objective approach* to the repression of misleading statements is, of course, restricted to a cease-and-desist action (and possibly to the remedy of publication). In all countries, an action for damages will only be successful if there is at least negligence. Intent, or even malicious behavior, is required in cases that can be described as real criminal offenses, for example in the food and drug field.

²¹ As it is in France, in Peru and, partly, in the United Kingdom.

(vii) *Burden of Proof*

83. The question of who has to furnish evidence of the accuracy of a statement or the likelihood of deception can be of paramount importance in misleading advertising cases. According to general principles of procedural law in most countries, it is the plaintiff (or the public prosecutor or administrative authority) who bears the burden of proof. In the field of misleading, especially misleading advertising, however, some exceptions to this rule are made. The EC Directive on Misleading Advertising, for example, obliges member States to require the advertiser to furnish evidence of the accuracy of factual claims if “such a requirement appears appropriate on the basis of the circumstances of the particular case.” Some countries have gone even further by implementing a general reversal of the burden of proof²² or by placing the advertiser under the obligation to “reasonably substantiate” all advertising claims.²³

(c) **Discrediting Competitors**

(i) *General*

84. Discrediting (or disparagement) is usually defined as any false allegation concerning a competitor that is likely to harm his commercial goodwill. Like misleading, discrediting tries to entice customers with incorrect information. Unlike misleading, however, this is not done by false or deceptive statements about one’s own product, but rather by casting untruthful aspersions on a competitor, his products or his services. Discrediting, therefore, always involves a *direct attack on a particular businessman* or a particular category of businessmen, but its consequences go beyond that aim: since the information on the competitor or his products is incorrect, the consumer is liable to suffer also.

85. Article 10*bis*(3)2 of the Paris Convention obliges member States to prohibit all “false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or com-

²² Notably Belgium, Denmark, France and the Netherlands.

²³ As does the Federal Trade Commission in the United States of America.

mercial activities, of a competitor.” A similar provision can be found in most national laws on unfair competition.²⁴ But even without such an express prohibition, it is generally agreed that discrediting is irreconcilable with the notion of “fairness” in competition. Where unfair competition law has been developed on the basis of general tort provisions,²⁵ it is considered one of the “classical” forms of unfair competition. In all common law countries a (common law) tort of disparagement or discrediting is recognized; additionally some of those countries²⁶ have recently granted statutory relief. Since it is primarily the individual businessman who suffers from disparaging remarks, civil law sanctions (injunctive relief or damages) are preferred. However, in the most serious cases, especially those involving intentional or malicious defamation, criminal sanctions are also provided, often under the general criminal code.

(ii) *Reference to an Individual Competitor*

86. As mentioned above (in paragraph 84), it is in the very nature of discrediting to be directed against a particular businessman or a *particular category of businessmen*. The target need not necessarily be named, however: easy identification by the addressee of the statement is sufficient. This can be achieved by references like “a certain enterprise in X” or may even be the result of a special market situation, for example if there is only one relevant competitor.

87. Frequently, the person attacked will be a *competitor*. As in Article 10bis(3)2 of the Paris Convention, most countries restrict unfair competition law protection against disparagement to cases where there is at least some sort of competitive relationship between the plaintiff and the defendant. In some countries, however, the requirement of a competitive relationship has been totally abandoned,²⁷ and this has led to a considerably broader concept of discrediting: not only competitors but also consumer associations or the media can be held liable under

²⁴ Notably Argentina, Bulgaria, Colombia, Germany, Greece, Hungary, Italy, Japan, Peru, Poland, Spain, Switzerland and the United States of America.

²⁵ As in France, the Netherlands, and in the various jurisdictions within the United Kingdom.

²⁶ Notably the United States of America: see Section 43(a) of the Lanham Act and State statutes.

²⁷ Notably Belgium, Sweden and Switzerland.

unfair competition law if they make derogatory statements about an individual businessman.

(iii) *The Subject Matter of the Attack*

88. As to the subject matter of the attack, Article 10*bis*(3)2 of the Paris Convention names the establishment, the goods and the industrial or commercial activities (of a competitor). However, *any* kind of disparaging remark that is likely to harm the *goodwill* of an entrepreneur should be forbidden. The way in which the harm is done should be irrelevant. Harm to a business reputation can be caused by all forms of reference to the enterprise or to its goods, prices, employees, credit rating, qualifications and so on. It can also be caused by references to an entrepreneur's personal status, for example, his race, his nationality, his religion or his political position. These so-called "*personal references*" which have nothing to do with commercial activities are in some countries²⁸ expressly forbidden as disparaging; in others²⁹ they are considered illegal under the general provisions on protection against unfair competition.

(iv) *Intent or Actual Damage*

89. References to a competitor that affect his commercial goodwill can be made in good faith, for example if the maker of the statement believes it to be true. Effective protection against discrediting is therefore typically independent of any proof of *actual damage or intent*. In some countries (such as the United States of America), however, the common law tort of disparagement in theory requires proof of malice and damage. Although the courts in the United States of America have gradually eased that requirement, the concept still has proved to be too narrow, and that has led to the enactment of legislative provisions for the grant of statutory relief against disparagement without any evidence of damage or intent (see Section 43(a) of the Lanham Act).

²⁸ Notably Hungary.

²⁹ Notably Belgium, France, Germany and the Netherlands.

(v) *Statements of Fact*

90. Opinions differ on whether discrediting should be restricted to *statements of fact*. In some countries,³⁰ the statutory notion of discrediting is broad enough to cover also *statements of opinion*. In other countries, it has at least been recognized by the courts that such statements are within the scope of the general provision against dishonest trade practices.³¹ In still other countries, disparagement is concerned mainly with statements of fact.

(vi) *False Statements*

91. The question whether statements of opinion can be discrediting has to be considered in connection with another question, namely, whether protection should be extended to the case of *accurate* statements. Article 10bis(3)2 of the Paris Convention speaks of *false* allegations. Many countries go further, however, recognizing that true, but nevertheless discrediting remarks are either directly within the scope of the express prohibition of discrediting,³² or at least a violation of the general provisions on honest trade practices.³³ Thus, a literally truthful remark about a competitor may be considered unfair competition if the “attack” is blown up out of proportion, or if the words used are needlessly injurious. On the other hand, some countries expressly restrict the notion of discrediting to *inaccurate or at least misleading statements*. In the United States of America, for example, true but nevertheless disparaging statements are neither within the scope of the common law tort of disparagement nor within that of the statutory relief granted by Section 43(a) of the Lanham Act or – at State level – the statutes on business practices.

92. An explanation of this difference in attitudes can be found in the diverging assessment of “commercial honor.” Where unfair competition law has its roots in the protection of the commercial reputation of the individual businessman – as it does in the continental European countries – a “special tort of business disparagement” has emerged,

³⁰ Notably Hungary and Switzerland.

³¹ Notably Belgium, Germany and the Netherlands.

³² Notably Denmark, Hungary and Switzerland.

³³ Notably Belgium, France, Germany and the Netherlands.

to which, in principle, much stricter rules apply than to defamatory statements outside the bounds of competition, where constitutional considerations such as freedom of speech have to be taken into account. In other countries,³⁴ especially those that have not developed a comprehensive system of protection against unfair competition, the attitude is exactly the opposite: it is assumed that, in the interest of competition, attacks on individual competitors are unavoidable, that they must be widely tolerated and that a line should only be drawn where the attack is based on false facts. In those countries, the plaintiff usually also bears the burden of proof as to the falseness of the statement (which can sometimes make an action impossible).

(3) *Acts Not Expressly Mentioned in Article 10bis*

(a) **General**

93. In addition to acts that cause confusion, mislead or discredit, which are referred to in Article 10bis of the Paris Convention, there are a number of other acts which have been recognized by the courts as unfair practices and which, increasingly, have become the subject of legislative provisions. Of particular interest in this connection is the trend towards explicit protection of trade secrets by express provisions in unfair competition laws, and the continuing evolution of provisions governing the practice of comparative advertising. Moreover, there has been an increasing recognition of the need to grant protection against undue “misappropriation” of, or “free riding” on, the achievements of competitors, regardless of the availability of specific industrial property rights, provided that, under the circumstances of the case, such acts are found to be unfair.

94. The above-mentioned categories of acts of unfair competition, as well as other categories, are discussed in the following paragraphs. It should be noted, however, that those categories can – and often do – overlap with the categories referred to in Article 10bis of the Paris Convention. For example, certain aspects of an act of unfair “free riding” may fall under the categories of causing confusion or discrediting another person’s products or business.

³⁴ Notably the United States of America.

(b) Violation of Trade Secrets**(i) General**

95. Competitive strength usually depends on *innovative techniques and accompanying know-how* in the industrial and/or commercial field. However, such techniques and know-how are not always protectable by patent law. Firstly, patents are available only for inventions in the field of technology and not for innovative achievements concerning the conduct of business, etc. Moreover, some technical discoveries or information, while providing a valuable commercial advantage for a particular trader, may lack the novelty or inventive step required to make them patentable. Furthermore, during the pendency of a patent application, as long as the information has not been disclosed to the public, the owner of the information to be patented ought to be protected against any wrongful disclosure of the information by others, regardless of whether or not the application eventually leads to the grant of a patent. Although the Paris Convention does not mention trade secrets, the need for their protection against wrongful disclosure is generally recognized. The unauthorized use of valuable secret information by persons other than the holder of the secret is regarded as a misappropriation of business values that have been developed by the holder, who loses his competitive and economic advantage over competitors as soon as the information is used or disclosed by another.

96. Trade secrets are protected against unauthorized use and disclosure by various statutory means. Some countries have *special provisions* for the protection of trade secrets either under specific legislation on unfair competition³⁵ or as part of another law.³⁶ Other countries treat trade secrets as an aspect of *tort law*.³⁷ Still other countries have enacted *criminal, administrative, commercial or civil law provisions* prohibiting the unauthorized use or disclosure of business secrets. The criminal provisions are less important in practice, however, since normally knowledge of the secrecy, as well as malicious or fraudulent intent, have to be proved. Yet if the disclosure of a trade secret constitutes a criminal offense, it will normally constitute an act of unfair

³⁵ Notably Germany, Japan, Spain and Switzerland.

³⁶ For example, certain States of the United States of America, Mexico and Peru.

³⁷ For example, France and the Netherlands.

competition as well. Furthermore, since employees, consultants, independent contractors and joint venturers are often privy to trade secrets, several aspects of civil law concerning *employment contracts* and general contract law are also relevant, depending on the circumstances of the case. Finally, it is not unusual to have combinations of the above means available. For example, violation of trade secrets could result in unfair competition or tort liability, as well as in criminal sanctions. On the other hand, in situations where *non-competitors* have intimidated or influenced agents or employees, or have otherwise induced them or other persons bound to secrecy to disclose the secret information, only civil tort law might be applicable.

(ii) *What Information Can Be a Trade Secret?*

97. Although a legal definition of a trade secret rarely exists, several countries (following the example of France) differentiate between *manufacturing* (or *industrial*) secrets and *commercial* secrets, which could have consequences for the applicability of criminal law. The first category of trade secrets is related to information of purely *technical* character, like production methods, chemical formulae, blueprints or prototypes. Such information could constitute a patentable invention but, generally, patentability of the information in question, in particular, novelty in a patent law sense, is not required for the secret to be protectable. *Commercial secrets* include sales methods, distribution methods, contract forms, business schedules, details of price agreements, consumer profiles, advertising strategies and lists of suppliers or clients. Usually, the subject matter of trade secrets is rather broadly defined, and the final determination of what information can be a trade secret will depend on the specific circumstances of each individual case. For example, in the Unfair Competition Prevention Act of Japan, a trade secret is defined as any information relating to a production method, a sales method or any other information on technology or business that is unknown to the public. A similar definition is contained in the Uniform Trade Secrets Act of the United States of America, which has been adopted by about 20 States.

98. There are several lines of inquiry that serve to determine what information constitutes a trade secret: the extent to which the information is known to the public or within a particular trade or industry, the amount of effort and money expended by the trader in developing

the secret information, the value of that information to the trader and to his competitors, the extent of measures taken by the trader to guard the secrecy of the information and the ease or difficulty with which the information could be properly acquired by others. From a subjective point of view, the trader involved must have a *considerable interest* in keeping certain information as a trade secret. Although contractual obligations are not necessary, the trader must have shown the *intention* to have the information treated as a secret. Frequently, specific measures to maintain the secrecy of the particular information are also required. The fact that the information has been supplied confidentially will not always be sufficient. In some countries (for example, the United States of America and Japan), the efforts made by the owner of the information to keep it secret are considered by courts to be of primary importance in determining whether the information constitutes a trade secret at all.

99. From an objective point of view, the information must, in order to qualify as a trade secret, be known to a *limited group of persons* only, that is, it must not be generally known to experts or to competitors in the field. Even patent applications may be regarded as trade secrets as long as they are not published by the patent office. Therefore, external publications or other information that is readily available will not be considered secret. For example, the use or disclosure of a trade secret by a person who has acquired it in a *legitimate business transaction* and without any negligence is not deemed unfair. On the other hand, absolute secrecy is not a requirement, for the information might also be discovered independently by others. Also, business partners can be informed without loss of secrecy if it is obvious that the information has to remain secret. Factors that indicate whether the information has the necessary degree of confidentiality to constitute a protectable trade secret are whether it 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 or is also known at the junior level. Still, the most solid proof is the strict confidentiality of the information and the contractual duty to keep it secret.

(iii) *Use and Disclosure by (Former) Employees*

100. Even in countries where specific provisions on wrongful or unfair disclosure apply, *employment contracts* may serve to reinforce and

supplement the protection afforded to trade secrets under the law of unfair competition or tort law. It is generally accepted that employees have a basic right to use and exploit, for the purpose of earning their living, all skills, experience and knowledge that they may have acquired in the course of previous periods of employment, even with the help of trade secrets. Yet, an employee does have the duty, during the period of employment, to act with *good faith towards his employer* and, after the employment has come to an end, not to use or disclose any confidential information about his employer's affairs that may have come to his notice during his employment. For example, Article 85 of the Mexican Law on the Promotion and Protection of Industrial Property of 1991 provides that any person who, by reason of his work, employment, function or post, the practice of his profession or the conduct of business relations, has access to a trade secret and he has been warned that this information must be kept secret, shall abstain from revealing it without just cause and without the consent of the person keeping the secret or of its authorized user. Thus in many cases the use or disclosure of information will constitute a breach of the employment contract by the (former) employee if the information in question must remain secret. However, the distinction between using the skills, knowledge and experience legitimately acquired during employment and the prohibition on the use or disclosure of the former employer's industrial or commercial secrets is often difficult to make. Clearly, in cases where the behavior of the employee is equivalent to theft, embezzlement, industrial espionage or conspiracy with a competitor, a willful breach of confidence will be presumed.

101. Frequently, employment contracts incorporate *specific provisions* prohibiting the disclosure of business or trade secrets, but such provisions, like undertakings not to compete, must not be so restrictive of the professional abilities of the employee in the future that they constitute an undue *restraint of trade*. Criminal law, as well as civil and labor law, could create relevant duties in employment relations. For example, according to Article 237 of the Criminal Code of the Netherlands, the disclosure of trade secrets by a person employed by a trader is an offense, and Article 2622 of the Italian Civil Code forbids the disclosure of secret business information by directors, general managers and legal auditors of any type of company. Such provisions may be very important in situations where the employee is not bound by contractual clauses, or where the use of such information by former employees is not related to a *competitive action*. If the former em-

ployee can be regarded as a competitor of the former employer, for example if he has set up a company on his own in the same sector, a breach of confidence by the former employee will normally be an act of unfair competition. For example, the *inducement of customers* of the former employer to become clients of the employee in his new position will probably be deemed unfair, particularly if the employee misuses lists of customers or internal business details in order to make better offers. However, there can also be wrongful misuse of confidential information if special knowledge of the employer's activities in relation to clients' affairs is made use of to persuade those clients to transfer their business to another.

(iv) *Use and Disclosure by Competitors*

102. Competitors are usually very interested in acquiring the trade secrets of others. However, as trade secrets themselves are not fully equivalent to exclusive rights under industrial property law, the determination of the unfairness of competitors who use or disclose the trade secrets of others is based on the *means of acquiring the information*. For example, it is expressly stated in the Unfair Competition Prevention Law of Japan that the rules concerning the protection of trade secrets will not apply where a trade secret is obtained in the course of a legitimate trade activity, provided that the person obtaining the secret did not use dishonest means to do so, or did not negligently disregard the dishonesty of such means. Thus competitors who have not used any influence to bring about the disclosure of the secret information, but have merely taken advantage of the breach of contract of a former employee or partner of the competitor, will seldom be held liable. The competitor's awareness that the disclosure of the trade secret by the former employee or partner would be a breach of contract is regarded as a *minimum* level of intent for determining liability. The Mexican law, for example, makes it an offense to use a trade secret which has been disclosed by a third party where the person to whom the secret was disclosed knew that the third party was not authorized to disclose the secret. In any case, competitors are not allowed to interfere recklessly with the contractual relations of others. For example, if a competitor has bribed or otherwise *unlawfully persuaded* a (former) employee to disclose a competitor's trade secret, he will be liable for unfair competition.

103. There are many situations that will depend on the specific circumstances of the case. For example, where the use of trade secrets was part of a former business relationship between the competitors, the fact that the know-how was to be kept secret does not in itself imply that use by the competitor would always be deemed unfair. On the other hand, the possible lack of a contractual clause concerning the use of trade secrets does not preclude unfairness. If the disclosure of trade secrets by a (former) employee is willfully induced by a competitor, the competitor is committing an actionable offense, provided he should reasonably have known or suspected that disclosure of the information was a breach of contract at the time of receiving the information. Frequently, the inducement of employees to disclose trade secrets is combined with a (separate) act of unduly enticing employees away, which is consistently deemed to be a violation of unfair competition law.

(c) Taking Undue Advantage of Another's Achievement ("Free Riding")

(i) General

104. In addition to the likelihood of confusion, there are other circumstances that may be held relevant under various doctrines with respect to the imitation of indications, products or other marketable creations. Such circumstances involve the act of taking undue advantage of, or free riding on, another person's achievement recognized by consumers and other market participants like dealers, traders and suppliers. Frequently such achievements concern a certain indication or product but they could also be of purely technical character.

105. Protection in such cases depends on a number of requirements which vary from country to country. The unfairness of the competitive act is regarded as resulting not only from the *obvious exploitation* of the notoriety of the indication, commercial success of the product or technical achievement of the competitor *without any proper effort* being made to depart substantially from the characteristic features of that particular achievement, but also from the risk of *damage to the reputation* of the existing business. As a minimum prerequisite, the indication or the product must have a certain *distinctiveness* (which may be of a level not sufficient for protection under specific legisla-

tion). As the scope of protection may depend on the degree of distinctiveness, completely banal indications or products will not usually qualify for protection against mere imitation.

106. From a purely systematic point of view, the notion of “free riding” has a number of common features with the notions of causing confusion and misleading. Free riding on another person’s market achievements can be defined as any act that a competitor or another market participant undertakes with the intention of directly exploiting another person’s industrial or commercial achievement for his own business purposes *without substantially departing* from the original achievement. In that sense, free riding is the broadest form of competition by imitation. Under the principles of a free market, however, the exploitation or “appropriation” of another person’s achievements is unfair only under specific circumstances. On the other hand, acts that cause confusion or mislead normally imply free riding on another person’s achievements, but are generally recognized as forms of free riding that are *always* unfair.

107. When assessing the availability of protection against unfair competition for market achievements of others in the absence of confusion, it has often been stated that the *mere exploitation* of another’s achievement is consistent with the principles of a free market system. Thus protection under the rules concerning unfair competition cannot simply be regarded as an alternative route to the securing of protection which would be available without the obligation to comply with the various requirements of protection imposed by specific industrial property legislation. As a certain balance of interests on the relevant market has been achieved by adopting specific legislation on patents, industrial designs, trademarks and so on, that balance must also be taken into consideration in the application of unfair competition law. As a general rule, protection under unfair competition law will be denied if the achievement that has been copied or appropriated is covered by specific industrial property legislation and the type of protection sought by resorting to unfair competition law could have been obtained, at least for a certain period of time, under that specific legislation (principle of “*preemption*”).

108. As indicated above, protection *as such* may be invoked if the subject matter of specific legislation does not cover the achievement involved, for example, if the law is not applicable to achievements

made before a certain date, or if the protection granted by the special law is not broad enough to give the relief sought in the specific case. Some industrial property laws expressly provide that protection under unfair competition provisions may be invoked for achievements that are not protectable under the specific law. Some industrial property laws expressly exclude additional protection under unfair competition law for inventions, indications, signs or product shapes that are protectable under those laws. Still, it is not always clear what interests the legislation has in fact balanced by adopting the special law. Even legislative commentaries do not comprehensively clarify that question. Thus a common approach to the grant of *protection against free riding* under unfair competition law is to make such protection available only under *specific circumstances*, which must differ in some respects from the circumstances under which protection is granted by the specific legislation. The definition of those circumstances is often possible only under some sort of "catch-all" provision, and thus usually is established by case law. For the following types of free riding, specific circumstances resulting in an act of unfair competition are already recognized in many countries: dilution of the distinctive quality or advertising value of a mark, misappropriation of a reputation, slavish imitation and so-called "parasitic acts." These are dealt with in the following paragraphs.

(ii) *Dilution of the Distinctive Quality or Advertising Value of a Mark*

109. Generally, where the unauthorized use of a mark for different goods or services is not likely to cause confusion, there is neither trademark or service mark infringement nor an act of unfair competition. This follows from the "speciality principle" in trademark law, which is a consequence of the distinguishing function of trademarks and service marks. In some countries, however, such as Canada, the EC member States under the EC Directive to Approximate National Laws on Trade Marks and several States of the United States of America, marks that have acquired a certain renown are given additional protection against the so-called *dilution* of their *distinctive quality* or *advertising value*. The concept of "dilution" is understood as the watering down or gradual lessening of the ability of a mark to be immediately associated by consumers or the general public with a particular source. As some dilution can be regarded as being an inher-

ent result of the use of identical or similar marks for totally different goods or services, the main rationale behind the notion of dilution is that marks that have acquired a certain renown should be protected against the obvious desire of other market participants to take advantage of the essential “uniqueness” of a mark. The likelihood of substantial damage to the proprietor of the mark is assumed from the fact that the mark may lose its established association with certain products. The required degree of renown of the mark involved is determined by the relevant public or consumer groups. If it is a trademark for goods that appeal only to a selected group of consumers, it will have a better chance of reaching the required degree of renown than if it is one for mass-consumption goods. However, the required degree may still vary considerably from country to country.

(iii) *Exploitation of Another's Reputation*

110. Another type of misappropriation that has been recognized in recent years as being contrary to honest business practice is that of unfairly taking advantage of the reputation or “prestige” of the market achievements of other industrial or commercial enterprises. This doctrine has been particularly relevant in the appropriation of well-known indications. For example, if the quality of the genuinely marked product or service has led consumers to associate the mark with a certain origin or consistency of product quality, its unauthorized use for other goods or services, while not causing confusion as to their source, might still be considered unfair appropriation of a reputation. The doctrine may equally apply to product appearances, but in such a case the appearance must be recognized as indicating a certain degree of quality, image or prestige. Countries have different approaches to this kind of misappropriation, however. For example, whereas in France the appropriation of the prestige of another's mark or product is usually assumed to be unfair, in Spain that type of misappropriation is expressly prohibited without any further prerequisites in Article 12 of the Law Against Unfair Competition of 1991. In Germany it is required, for the appropriation by a third person to be allowed, that a secondary exploitation of the mark could not reasonably be expected. In the United States of America there is in principle no objection to appropriation unless a likelihood of confusion, for example as to “sponsorship,” is established, for which purpose the prestige of the mark is taken into account.

111. Taking advantage of another's trademark or service mark may occur as a more or less veiled form of appropriation. For example, a competitor may use a generally similar, but noticeably different mark, nevertheless consciously drawing closely on the characteristic and well-known features of another's mark. Alternatively, he may use the mark in advertising his own trademarked goods with the aim of transferring the image of the well-known mark to his own goods, or again he may use another's mark with qualifying terms like "model," "type," "style," and so on (however, in some countries the term "suitable for" or other similar terms may be permissible in connection with spare parts and accessories). In this respect, it is not necessary that the market participant be a direct competitor of the proprietor of the mark, as long as there is a likelihood of damage to the exclusive image or reputation of the mark or the business involved.

(iv) *Slavish Imitation*

112. The concept of slavish imitation as a separate act of unfair competition has been developed in several countries of Europe. This kind of unfair free riding is usually regarded as an exception to the general rule of free appropriation in the area of products or indications that are not protectable or for which protection has lapsed under specific legislation, or where there is no likelihood of confusion as to the source of the products. In the absence of likelihood of confusion, the specific circumstances of the case must reveal some exceptional character for the act to be deemed unfair. Usually the unfairness is seen in the lack of research, investment, creativeness and expense on the part of the imitator, who has merely copied the achievement of another, despite the fact that alternative ways of competing effectively were available. The imitated products or indications would still have to possess a particular distinctiveness, which must not merely derive from technical features necessary for the product to function properly, but must concern aesthetic or decorative features that leave sufficient room for alternative shapes and designs.

113. Not all prerequisites of slavish imitation are equivalent in all countries, however. Apart from that, the qualifying circumstances may sometimes be combined with the concepts of dilution, misappropriation of reputation or "parasitic competition." Frequently, there has to be a marked contrast between the efforts made by the competitor to develop

his achievement, to introduce it on the market and to win some success or recognition and the efforts made by the imitator to copy and exploit that achievement for the act to be deemed unfair. One *statutory* example of a provision against this kind of unfair misappropriation is to be found in Article 5(c) of the Swiss Law Against Unfair Competition, which specifically treats as unfair any act which, by means of technical reproduction processes and without any corresponding effort, takes the marketable results of the work of another person and exploits them as such. There is a similar provision in Article 11(2) of the Spanish Law on Unfair Competition, which considers imitation of the achievements of another to be unfair if undue advantage is taken of the other's goodwill or efforts.

114. Acts of slavish imitation should be distinguished from acts of so-called "reverse engineering." The latter is generally understood to consist in examining or analyzing, by taking apart or decomposing, a product or substance in order to understand its structure, composition or operation and find out how it was made or constructed, and subsequently producing an improved version of the product or substance. The practice of reverse engineering is commonly practiced in industry in connection with the products of competitors, with the purpose of learning the technology they embody, and eventually producing a competing (improved or different but equivalent) product. In fact, it is part of the normal exercise of competition in a free market environment which, in turn, is based on broader public policy considerations. The practice of reverse engineering is, therefore, not in and of itself unfair; nevertheless, the product or other result obtained through reverse engineering may, under certain circumstances, constitute an infringement of an industrial property right. For example, if a product made after reverse engineering of a competitor's product falls under the claims of a valid patent (where appropriate, taking into account the doctrine of equivalence), that would constitute patent infringement. If a patent is not infringed, but the manner in which the original product was copied is found to be dishonest or unfair (regardless of whether reverse engineering took place), the relevant acts might still be actionable on grounds of unfair competition.

(v) *Parasitic Acts*

115. Another variety of unfair free riding recognized in some countries is the concept of "parasitic acts." This concept has many features

in common with the concept of slavish imitation. Here the mere imitation of the achievements of others is still considered inherent in a free market system, but exceptional circumstances may make the imitation unfair. For example, the imitation of one product which is not particularly new or original could possibly be allowed, but, as soon as the achievement involved is recognized as innovative or strongly appealing to consumers, the imitator has less reason to claim the fairness of his action. What tips the balance definitely against the imitator is his *systematic and methodical* appropriation of the characteristic achievements of *one particular* competitor in a routine manner.³⁸ Moreover, circumstances relating to the *modus operandi* of a competitor may denote unfairness: for example, ordering samples from a competitor for the purpose of imitating his products more easily and systematically may be found to be unfair parasitic behavior. Some countries³⁹ adopt a flexible approach in these cases, in particular, by adapting the scope of injunctions and also the time limits of protection to the particular circumstances. For example, the amortization of the innovation costs could be considered a relevant factor in determining whether or not a particular imitation is fair. As a result, protection could be restricted to identical imitations, and only for a period of time that is much shorter than under specific industrial property legislation. It is to be noted, however, that in some countries (for example, the United States of America) just copying the product of another person (even if done systematically, or in respect of one particular competitor) will not be recognized as unfair competition unless there is copying of non-functional features which are distinctive or have acquired secondary meaning.

(d) Comparative Advertising

(i) Definition

116. The different attitudes towards true but nevertheless discrediting statements can best be seen in the examination of *comparative advertising*. Comparative advertising may take two forms: a positive reference to another's product (claiming that one's own product is as good

³⁸ This criterion applies especially in Belgium, France, Italy, the Netherlands and Switzerland.

³⁹ Notably Germany.

as the other) or a negative reference (claiming that one's own product is better than the other). In the first instance, where the competitor's product is usually well known, the crucial question relates to the possibility of misappropriation of another's goodwill. In the second case, where the competitor's product is criticized, it is the question of disparagement that arises. However, both forms of comparison involve an (unauthorized) *reference to a competitor*, who is either mentioned by name or implicitly identifiable as such by the public.

(ii) *The General Restrictions: "Misleading" and "Discrediting" Comparisons*

117. It goes without saying that comparative advertising has to respect the restrictions applicable to all advertisements. In particular, it must not be misleading or disparaging. Comparison based on false or misleading statements about one's own product or involving false statements about the competitor's product is forbidden in all countries.

118. It must be remembered, however, that there are differences in the evaluation of the notion of "*misleading*" and especially in that of "*discrediting*." As mentioned above, some countries,⁴⁰ consider statements claiming superiority or uniqueness (like "the best," etc.) misleading unless they can be proved correct, while others consider them harmless exaggerations. Different assessments of the notions of "discrediting" and "misappropriation" are of even greater importance. In countries with a rather permissive attitude towards true but nevertheless disparaging statements, comparative advertising is generally tolerated.⁴¹ As long as what is said is true, the courts will not interfere, even if the reference to the competitor or his product is clearly disparaging or exploits his goodwill. In countries that traditionally put special emphasis on the protection of the "honest" businessman and his reputation, comparative advertising is either forbidden or at least severely restricted. Sometimes the mere fact that a competitor is named against his will is considered discrediting and therefore unfair competition. According to the rule that "the honest businessman has a right not to be spoken of, even if the truth is spoken," the legislation of

⁴⁰ Notably Germany.

⁴¹ Notably Canada, the United Kingdom and the United States of America.

some countries⁴² has even expressly forbidden all comparisons that needlessly identify a competitor. The same argument has led the courts of other countries⁴³ to find comparative advertising more or less automatically against honest trade practice (and therefore against the general provision on unfair competition law). Although it has sometimes been stressed that true comparisons might be in the interest of consumers, doctrine and case law have in practice allowed comparisons only under very special circumstances, for example, if they have been expressly required by a customer, if they have been made to counter an illegal attack on the advertiser, or if the comparison is necessary to explain a certain system or new technical developments in general.

(iii) *The Trend Towards Admission of True Comparisons*

119. In recent years, however, this negative attitude towards comparative advertising has changed. It has been increasingly recognized that true comparisons of relevant facts can not only reduce the consumer's information search costs, but also have positive effects on the economy by improving market transparency. The courts of those countries that traditionally view comparative advertising as disparaging have gradually relaxed the strict prohibition on all statements identifying a competitor. In France, for example, price comparisons, if based on true, relevant and ample material, are allowed. More important, recent statutes on unfair competition at least indirectly allow comparative advertising.⁴⁴ At the European Community (EC) level, a new Directive⁴⁵ has been proposed that would oblige member States of the EC to allow truthful comparative advertising. On the whole, there seems to be a clear trend towards the admission of truthful comparative advertising.

(iv) *Special Dangers of Comparative Advertising*

120. On the other hand, it cannot be denied that comparative advertising can more easily be misleading or disparaging than most other

⁴² Notably Belgium and Luxembourg.

⁴³ Notably France, Germany, Italy and the Netherlands.

⁴⁴ Notably in Hungary, Spain and Switzerland.

⁴⁵ Proposal for a Council Directive concerning Comparative Advertising and amending Directive 84/450/EEC concerning Misleading Advertising, 1991.

forms of advertising, for example if the comparison is based on irrelevant (or not really comparable) aspects, or if the overall impression is misleading. These potential dangers require *special safeguards* against abuse. Countries that allow comparisons⁴⁶ place special emphasis on the fact that even true statements must not be unnecessarily disparaging⁴⁷ or that irrelevant facts must not be compared.⁴⁸ The 1991 EC proposal for a Directive on Comparative Advertising goes even further by expressly requiring that only relevant, objective and verifiable characteristics be compared, that the overall impression be not misleading, that there be no risk of confusion between the products compared and that the competitor and his product be in no way disparaged or discredited. Furthermore, the advertiser can be required to prove any claims made in surveys used to support the comparison.

(v) *Comparative Advertising and Trademark Law*

121. Comparison is often impossible without reference to a certain mark which refers to a particular product, service or business. In these cases, not only unfair competition law, but also *trademark law* has to be taken into account.

122. In countries where trademarks are protected solely as indications of the source of a product or service, the use of a trademark in comparative advertising may not be within the scope of trademark law. However, there are countries where the use of another's trademark in comparative advertising may be considered trademark infringement.⁴⁹ Article 13A of the Uniform Benelux Trademark Law, for example, protects the "advertising value" of trademarks against any use in potentially adverse circumstances (which can also take the form of an unwanted reference in comparative advertising). Canadian trademark law generally protects the goodwill of a trademark, while the current United Kingdom trademark law in principle forbids any reference to another's trademark. Even in the United States of America, where comparative advertising is generally allowed, the so-called "antidilution statutes" enacted by many States are in theory applicable to the use

⁴⁶ Notably Greece, Hungary, Spain and Switzerland.

⁴⁷ As in Switzerland.

⁴⁸ As in Spain.

⁴⁹ Notably Benelux, France, the United Kingdom and the United States of America (antidilution statutes).

of another person's marks in comparative advertising, since they grant – regardless of confusion – trademark protection against all acts that are liable to injure the business reputation or that dilute the distinctive quality of a mark. However, the statutes so far have not been applied in cases of truthful comparative advertising, and there may be constitutional reasons for such an exception in cases of comparative advertising. It is noteworthy that the proposal for a EC Directive on Comparative Advertising would allow such advertising provided, in particular, that it does not cause confusion between the marks of the advertiser and those of a competitor, and that it does not discredit, denigrate or indicate contempt for a competitor's marks.

(vi) *Comparisons Made by Third Parties*

123. In many countries product testing is done by consumer organizations and/or private or public institutions like the press, television and other media. Usually two questions will arise here: are the organizations liable under unfair competition law, and may the results of their testing be used in advertising?

124. In those countries that have given up the requirement of a competitive link between plaintiff and defendant,⁵⁰ unfair competition law is applicable to these organizations too. In other countries,⁵¹ “unfair” product tests, which have an adverse effect on a business reputation, are primarily dealt with under general civil law tort provisions.

125. There seems to be no general agreement on the question whether and under what conditions such test results may be used by advertisers. In some countries (such as Germany) that in general do not accept comparative advertising, this kind of indirect comparison is basically considered legal. In other countries (such as Belgium), it is expressly forbidden for a competitor to refer to tests conducted by consumer organizations, and in still others (such as Switzerland), such references are severely restricted. In the proposal for an EC Directive on Comparative Advertising, tests by third parties may be used only with the express consent of the person who conducted them, apart from which the advertiser would be held responsible for any advertising claim based on such surveys.

⁵⁰ Notably Belgium, Denmark, the Netherlands, Sweden and Switzerland.

⁵¹ Notably France and Germany.

(e) Other Acts of Unfair Competition**(i) General**

126. As mentioned earlier, unfair competition law particularly reflects the sociological, economic and ethical conceptions of a society. Apart from the specific categories of acts already discussed which are generally considered unfair competition, there is a wide range of acts and practices that may be dealt with under unfair competition law in one country but not necessarily in another. The discussion that follows is therefore restricted to those aspects that most countries appear to consider (although perhaps with different emphasis) contrary to "honest trade practice," either in the form of an express prohibition in the specific law or, more frequently, under the general provisions on unfair competition, or in specific other laws, decrees and the like. It is to be noted that the following explanations only give examples, not an exhaustive list of these other unfair practices.

(ii) Nuisance Advertising, Exploitation of Fear, Undue Psychological Pressure, etc.

127. Modern competition law aims to protect all those concerned by unfair market practices. Consequently, practices that "unduly" influence the *consumer* (or try to do so) may be considered contrary to honesty in competition. In practice, however, it is difficult to determine what requirements have to be met before a practice is deemed to be "undue" in relation to the consumer. Since the very purpose of all marketing or advertising practice is to influence consumers favorably, a certain borderline of influence has to be crossed. This is often asserted in cases where the privacy of the consumer has been invaded or where he has been manipulated by means of advertising techniques.

128. For example, in many countries the delivery of *unsolicited goods* to a person who is required to pay for them unless he expressly refuses or returns them is considered unfair competition, because it plays on the fact that many consumers either tend to forget to return the goods or even feel under an obligation to keep them. On the other hand, many countries tolerate *unsolicited home visits* ("door-to-door sales") as long as they do not involve any deception or impose undue psychological pressure on the consumer. Opinions may vary on the

question of *unsolicited telephone calls*: while some countries consider them *per se* an intrusion into the privacy of the consumer, most other countries tolerate them as long as the consumer's lack of experience and his privacy are not exploited. The same is true of the *unsolicited sending of advertising material*.

129. It is further considered unfair in many countries to abuse the consumer's *superstitions, credulity, fears or feelings of charity*. For example, an advertisement that exploits elderly people's fears of ending up in a nursing home, or causes unnecessary anxiety over death or health problems can be considered contrary to "honest" trade practice. The same is true if a special situation in which the consumer is especially vulnerable is exploited for commercial purposes, for example, if victims of car accidents are pestered with offers of towing services, or if the recently bereaved are offered funeral services. Most countries, moreover, take special precautions against any abuse of children's lack of experience.

130. Apart from these special cases, often regulated in specific laws, the courts of some countries⁵² have identified a group of cases under the general clause against unfair competition which can be described as "*psychological pressure to purchase*" or "*exaggerated enticement*." These cases are mainly seen in connection with special marketing practices, however, like the offering of free goods or discounts and lotteries.

(iii) *Sales Promotion: Bonuses, Gifts, Lotteries, etc.*

131. A frequent marketing technique to attract new customers consists in the offering of bonuses, gifts and other inducements, and in the organization of competitions, lotteries or games. Such *sales promotion* can be a new and efficient channel of distribution and may thus stimulate competition. On the other hand, it may distract consumers from the merits of the principal goods or services and thereby entice them to buy something that is either not worth its price or not really needed. This is particularly true of marketing techniques like games, lotteries and other competitions, which exploit for advertising purposes a consumer's predisposition to *gambling*. Most of these are therefore regulated in one way or another, and sometimes even ex-

⁵² Especially Germany.

pressly forbidden. Additionally, they are subject to self-regulation measures. There is, however, little agreement (and little consistency) on the question of what specific practices should be considered unfair competition. For example, bonuses, or any discount or other advantage dependent on the purchase of a product, are forbidden in principle in some countries,⁵³ allowed in principle in others⁵⁴ and more or less strictly regulated in others. *Lotteries*, where the winning of prizes is a matter of pure chance, are generally forbidden if they are linked to the purchase of a product, and otherwise are severely restricted. *Contests* in which the outcome can be influenced to a certain extent by the participant's own skill are generally viewed more favorably, provided that no deception is involved and that the consumer is not put under any pressure to buy. On the other hand, "pyramid" ("snowball") sales and other such methods are often considered potentially misleading and consequently forbidden (sometimes even on pain of criminal sanctions), or are at least severely restricted, whereas *sweepstakes* are often considered legal.

132. On the whole, the courts of most countries, even those that allow the sales promotion techniques mentioned above, pay special attention to the *actual conditions* under which these sales practices take place: if the consumer is put under any psychological or other pressure to buy, if the prizes are extremely valuable and so all the more enticing, an otherwise accepted marketing practice may well be considered contrary to "honest trade practice."

(iv) *Impeding of Market Activities*

133. Finally, there are several acts which may *hinder or obstruct* a competitor in his business activities, either directly or indirectly. An example of a direct obstruction would be the *actual obstruction* of trading on a particular market location, which would normally be considered unfair. Another example would be the deliberate destruction of bottles destined to be recycled and refilled by a producer of soft drinks in order to lessen his ability to supply the market. Other (indirect) impediments are often controlled by *antitrust law* but, under certain circumstances, unfair competition law may offer some addi-

⁵³ Belgium, France, Germany and Sweden.

⁵⁴ The United Kingdom and the United States of America.

tional protection. Impediments that are traditionally covered by antitrust law are *discrimination*, *boycotting* and *dumping*, but that does not preclude the application of unfair competition law, at least if the acts are perpetrated on an individual scale. For example, unreasonable interference with the business activities of competitors, sales at unreasonably low prices, like *below-cost prices*, or the imposition of fixed retail prices are practices that have been designated by the Fair Trade Commission of Japan as being prohibited by the Japanese Anti-Monopoly Act, but which might also be regarded, in theory, as forms of unfair competition. In some countries,⁵⁵ selling below cost or at an “exceptionally low profit margin” is expressly prohibited under unfair competition law. In the United Kingdom, the United States of America and other countries, “predatory pricing” with a view to damaging a competitor may be prohibited under competition law.

134. Other such unfair practices consist in *enticing away* from competitors, or in inducing the *personnel or agents* of competitors to terminate their employment or agency contracts. As indicated earlier, these acts of unfair competition are frequently accompanied by the violation of *trade secrets* but may, nevertheless, constitute separate unfair acts. Merely inducing the clients or employees of competitors to change suppliers or employers by offering better conditions is inherent in free competition and cannot therefore be regarded as unfair. However, means such as bribery or deception of clients, agents or employees, or inducement to breach a valid undertaking not to compete, will be deemed unfair, as will the systematic enticing away of personnel with a view to damaging one particular competitor.

⁵⁵ Notably Belgium, France, Luxembourg, Spain and Switzerland (under certain conditions).

V. ENFORCEMENT OF PROTECTION

A. General

135. The enforcement of protection against unfair competition is as important as the substantive law of unfair competition itself, for such protection would remain futile without the availability of adequate measures to halt violations, to prevent damage, or further damage, and possibly to win compensation for damages. Therefore, most specific laws against unfair competition provide for *special sanctions* which can be imposed on the infringing party. Usually such specific sanctions take the form of *civil* and *criminal* measures. Sanctions can also be imposed by government authorities in the form of *administrative* measures.⁵⁶ Some legislation further lays down special procedural rules, specifying such matters as the persons having the *capacity to sue* or the *time limits* for bringing the action before the court.

136. Where unfair competition law is primarily based on tort law, the normal *principles of civil proceedings* will apply. Although the basic principles of tort law may normally have relatively strict requirements, in particular with respect to the likelihood of damage and proof of the defendant's intent or negligence, those requirements are often less restrictively applied in cases of unfair competition law; indeed, in practice they are sometimes presumed. However, if tort law is only a *secondary* basis for a claim of unfair competition, as compared with specific legislation against unfair competition, the regular requirements of tort law must be met.

137. Other sanctions could possibly follow from violations of the rules set by *self-regulation*. Since such rules are usually supervised by specific authorities, composed of representatives of the relevant industries, the media and consumers, the proceedings and possible sanc-

⁵⁶ As in Australia, Bulgaria, Hungary, India, Mexico, Peru, Romania and the United States of America.

tions involved have a character that is different from administrative or civil court proceedings. Sanctions are only binding on persons who have adhered to the self-regulatory rules laid down by the authorities, but their practical importance for protection against unfair competition is fully recognized; these sanctions will therefore be dealt with separately.

B. *Civil Sanctions*

(1) *Categories of Sanctions*

138. There are several types of civil sanction, some of which, however, may not be available in every country. For example, under Article 13a of the German Law Against Unfair Competition as amended in 1987, a consumer has the right to rescind a contract that was entered into as a result of misleading advertising. The conditions for the exercise of this right are not easily met, and the remedy itself is quite unusual in unfair competition law. In practice, only a few of the broad range of sanctions are frequently applied in unfair competition proceedings. For example, *declaratory judgments*, that is, judgments stating that the plaintiff is entitled to perform a certain act or that the defendant is not entitled to do something, are rare in unfair competition proceedings.

(a) **Injunction**

139. In practice, the most important sanction is injunctive relief, which can be *final* but frequently takes the form of a *preliminary* injunction. This sanction is preferred by the complainant, as the infringing act can be stopped, although the actual damage may then not be easy to prove. In most cases injunctions restrain, in that they order the defendant to refrain immediately from performing a certain act of unfair competition. Injunctions may be sought for unfair acts that are likely to be committed or continued. Injunctions require neither proof of intent or bad faith nor proof of damage. Once an unfair act has been committed, the likelihood of continuation is usually presumed unless the defendant has formally undertaken to refrain from further

infringing acts. In some countries, injunctions may be enforceable with the mandatory payment of a *penalty fee* for not obeying the court order, which becomes payable without further intervention by the court.⁵⁷ In other countries, such disobedience may constitute a civil or possibly criminal contempt of court.⁵⁸

140. Injunctions may also be accompanied by a mandatory order, demanding that the defendant *restore the status quo* preceding the violation. This can be an order to cancel applications or registrations of marks or trade names, to erase misleading or confusing indications, withdraw infringing goods from the market or to deliver up or destroy unlawful products or advertising material. Such mandatory orders are relevant in cases where the results of the acts of unfair competition cannot be eliminated by a restraining injunction. In blatant cases of unfair competition, an order to disclose the source of supply or provide a list of customers supplied is also possible. In some legislation, such as the Hungarian Act Against Unfair Trade Practices of 1990, the destruction of special instruments that served to manufacture the infringing goods can be ordered under certain circumstances. All types of mandatory orders are usually left to the court's discretion, as the measures have to be commensurate with the extent of the unfairness in the individual case, and thus a balance of interests has to be made by the court.

(b) Damages

141. Compensation for damages is available in every country. Unlike the application for an injunction, however, a common requirement determining compensation for damages is proof of *fault or intent* or at least *negligence or recklessness* on the part of the defendant. This is obvious in France, where the tort provision in Article 1382 of the Civil Code deals only with damage claims. However, French courts have been generous in the recognition of damage, including potential damage, and, as actual damage is usually hard to prove, a symbolic compensation of one franc is frequently imposed, while at the same time the cessation of the infringing act is ordered. Sometimes there is a rebuttable presumption of negligence if an act constitutes unfair com-

⁵⁷ As in Germany and the Netherlands.

⁵⁸ As it does in Australia, India, the United Kingdom and the United States of America.

petition, as under Article 2600(3) of the Italian Civil Code. Under such provisions, the person involved must prove good faith in the sense that due diligence on his part did not establish that the competitive act was unfair. Usually, damages as a result of unfair competition are purely monetary in character but, under certain circumstances, for example following defamatory publications or infringements of publicity rights, similar compensation for moral or immaterial damages may be available in some countries. In any case, sufficient evidence of actual, and somehow assessable, financial loss must be furnished in order to substantiate the claim of damage.

142. There are several *types of monetary damage* that can be compensated. The most commonly claimed damages are *loss of profits* and the damage done by *disorder caused on the plaintiff's market*. In some countries,⁵⁹ instead of the actual damage to the plaintiff, an account of *profits gained by the defendant* may be claimed on the ground of unjust enrichment. This sanction deprives the defendant of the profits actually resulting from his unfair acts, and in some countries may exceed the actual damages of the plaintiff. It could also serve as a measure to assess the loss of profits incurred by the plaintiff.⁶⁰ A form of damages particularly known in the United States of America and most Commonwealth countries is exemplary or so-called *punitive damages*. Those damages are claimed *in addition* to actual damages in cases where the motives of the defendant have been particularly malicious. In extreme cases, even treble damages may be available. In other countries, malice or intent may influence the amount of damages awarded by the court. Finally, in blatant cases of unfair competition, the costs resulting from *attorneys' and experts' fees*, apart from court costs which are usually fixed by the court when it passes judgment, may occasionally be awarded to the successful party at the court's discretion, for example, if such costs are deemed necessary to prevent further infringements or market disorder. This possibility is of considerable importance since there are only a few countries in which attorneys' and other fees are to be paid by the losing party.

143. As a basic rule, damages are regarded as only *compensatory*, that is, the plaintiff is to be put back in the position that he would have been in if the unfair act had not been committed. However, the

⁵⁹ Notably Spain, Switzerland and the United Kingdom.

⁶⁰ As in Japan.

amount is often difficult to determine with any precision. For loss of profits, in particular, high standards of proof may sometimes be required. Even cases of infringement of exclusive rights under intellectual property law seldom go into a full inquiry as to damages, and parties tend to settle the case once liability has been established. A common approach in such cases has also been to assess damages on the basis of a fictitious *license fee*. In legal literature, this approach has been criticized as having insufficient deterrent effect. Applying this approach in unfair competition law would only be acceptable in cases resembling a violation of industrial property rights and in classic cases of passing-off, where the parties involved are direct competitors. Thus, the amount of damages actually awarded by the courts can vary to a large extent.

(c) Rectification; Publication of the Judgment

144. Another sanction available in most countries is an order for rectification or for publication of the judgment awarded against the defendant. In some Asian countries, a specific form of rectification may involve a *letter of apology* in daily newspapers. Another frequently used kind of rectification (for example, in the United States of America) is *corrective advertising*. A rectification order is usually granted in cases of misleading or discrediting, but can also be appropriate for other methods of unfair advertising. In some countries publication of the judgment can also be ordered by the court at the expense of the defendant. Both sanctions may be claimed *in addition* to restraining injunctions, and in most countries apart from compensation for actual damage.

(2) Right to Sue

145. As mentioned before, protection against unfair competition serves not only the interests of competitors, but also those of consumers and the public interest. It is therefore of vital importance to the effective operation of unfair competition law that the right to sue should *not be restricted to competitors*, although they may be the most powerful group to invoke the law. However, not all market participants need an *individual* right to bring an action before a civil court. As any act

of competition has a direct influence on the market situation of individual *competitors*, at least that group cannot reasonably be deprived of their fundamental right to sue the unfair competitor. However, in many countries, direct competitive relations are not necessary for the right to sue if the indirect consequences of the unfair act would seriously *affect* the position of other participants, for example, on parallel or subsidiary markets. So in most countries merely *potential* competitive relations will suffice. Furthermore, in countries where protection against unfair competition is mainly based on tort law, every person whose interests are likely to be harmed, and this may include *individual consumers*, can usually bring an action. In such countries⁶¹ not even a potential competitive relationship is required. Recent legislation also gives individual consumers a right to sue. Still, the risk of considerable costs may often deter them from exercising that right. Most individual consumer actions are therefore brought under available self-regulatory proceedings, the standing rules, costs and terms of which are less daunting.

146. Along with the growing tendency to consider consumer interests part of the objectives of protection against unfair competition, recent legislation in this field has provided *consumer organizations* with a separate right to have unfair acts stopped. Under Article 10*ter* of the Paris Convention, the member States must provide measures to permit federations and associations representing interested industrialists, producers or merchants to take action in the courts when acts of unfair competition are committed, insofar as the law of the country in which protection is sought allows such actions. With the inclusion of certain areas of consumer protection in unfair competition law, it should also be possible for consumer organizations to claim legal remedies against violations occurring in those areas. For example, the EC Directive on Misleading Advertising states that organizations regarded under national law as having a legitimate interest in the matter must have facilities for initiating proceedings against misleading advertising, either before a court or before an administrative authority competent either to decide on complaints or to initiate appropriate legal proceedings. Additionally, public officials or entities may be empowered *by law* in some countries to act as civil prosecutors on behalf of consumers before the court, as does the Consumer Ombudsman in Sweden and Norway or the Federal Office for Consumer Affairs in Mexico.

⁶¹ Notably France, the Netherlands and the United Kingdom.

147. There are several *alternative* ways of establishing the right to initiate civil actions. For example, to prevent a possible misuse of such rights, some countries have restricted the right to bring a civil suit to organizations that can claim the protection of their members against unfair competition as their *statutory aim*, or are officially authorized as consumer organizations. Although actual damage to individual members is not usually required, most countries have restricted the claims available to consumer organizations to an *injunction and/or rectification* in the area of misleading advertising. Only in exceptional cases may organizations claim damages on behalf of their members.

148. The position of *other organizations*, such as traders in a certain branch of industry or professional groups, is far less uniform. In some countries, such organizations may have a right to sue insofar as their statutory purpose is being seriously jeopardized by the unfair act concerned.⁶² In other countries, actual injury to some of the members and the transfer of their rights to the organization might be required,⁶³ or such organizations have no separate right to sue at all.⁶⁴ So-called *class actions* are possible in the United States of America. Finally, civil court actions can occasionally be initiated by *authorities* responsible for the control of competitive acts, either as semi-public or governmental authorities⁶⁵ or by virtue of self-regulation.⁶⁶

(3) *Measures to Secure Evidence of Unfair Acts and Conserve Assets*

149. It is not unusual for unfair competition claims to fail in court owing to *lack of evidence* of the act regarded as unfair. An informal but commonly used method of securing proof of the allegedly unfair act is a "trap order," that is, the acquisition of infringing goods under an assumed name, which may result in clear evidence of at least part of the unfair act. With respect to acts of misleading or discrediting, the burden of proof may be imposed on the defendant, as he is supposed to have easy access to information substantiating his statements. Most countries do not have specific means of establishing evidence,

⁶² Notably in Belgium, France, Germany and Italy.

⁶³ Notably in the Netherlands.

⁶⁴ Notably in Japan.

⁶⁵ Notably in France, Hungary, India and the United Kingdom.

⁶⁶ Notably in the United Kingdom.

as separate rules were deemed unnecessary when the laws against unfair competition were enacted. Those countries must therefore rely on *general principles of civil procedure law*. However, practices may vary considerably from country to country. While some rules of procedure provide adequate measures for the securing of evidence, like the disclosure of documents, expert opinions or the hearing of witnesses, they apply only to evidence of damages and not to the establishment of the unfair act itself. In some countries,⁶⁷ a conservatory or provisional “*seizure*” of goods is allowed, but this method is often restricted to the securing of monetary claims, the purpose being to sell the seized goods. This would clearly not be in the interest of the claimant.

150. Most measures under civil procedure law are available only *during trial*, and relatively few countries have civil procedure rules to secure proof *ex parte*, that is, without previous notice to the defendant of commencement of trial proceedings. However, as with infringement actions under specific industrial property legislation, there is a general tendency to ensure maximum availability of measures for securing evidence of an infringement before the defendant is able to dispose of that evidence, and also to have suppliers (or other persons recklessly participating in the unfair act) identified. This is particularly relevant to acts of confusion and misappropriation, or acts relating to the misuse of trade secrets. One example of the growing legislative awareness of the need for adequate means of collecting evidence is Article 24 of the new Spanish Act Against Unfair Competition of 1991, which provides for *ex parte* applications before the court to execute any means of determining those facts the knowledge of which is necessary to commence a proceeding, which means (according to the applicable rules of the Spanish Patent Law) may include inspection of premises and of allegedly infringing instruments.

151. Another recently accepted remedy in this area, which is known in the United Kingdom and in countries following the legal tradition of the United Kingdom, is the *Anton Piller order*. This order, the availability of which has become recognized through case law, enables a plaintiff to seek relief before a writ of summons has been served and *without notice to the defendant*. The order as issued by the court can include provisions preventing trading in certain goods or the destruction or disposal of goods, provisions permitting the plaintiff’s lawyer and a limited number of other persons to enter and search the

⁶⁷ Notably Belgium and the Netherlands.

business premises or even the private house of the defendant or provisions causing documents or goods to be delivered up to the persons serving the order or the names and addresses of the suppliers of the goods involved to be disclosed, and it can prevent the defendant from informing third parties of the existence of the proceedings. In order to obtain this relief, the plaintiff must show that he has an extremely strong case, and that the potential damages claim is likely to be very substantial. Further, clear evidence of the defendant's possession of the infringing goods must be produced before the court, and it must be shown that there is a real possibility of the goods being destroyed or disappearing before a court action (with both parties involved) can be brought. Full disclosure of all facts known to the plaintiff is required, and also security for damages that might have to be paid to the defendant. On the other hand, as the Anton Piller order can easily be abused, there are strict requirements for its issue; moreover, the nature of the order must be explained clearly to the person to whom it is addressed, it must contain only the minimum provisions necessary to achieve its purpose, and a detailed report of the material taken is to be made by the lawyers executing it.

(4) *Accelerated Proceedings*

152. Most matters of unfair competition law are brought before the court in ordinary civil proceedings. In some countries, specific court divisions or judges may have some exclusive competence, for example, in matters of commercial law. However, protection against unfair competition can only be effective if the alleged offender can be enjoined in a *speedy and informal procedure*. Accelerated proceedings have therefore been made possible in many countries for immediate relief. Although several forms of interim relief may be available, such as for the rectification of a misleading advertisement, most claims under unfair competition law involve *interlocutory injunctions*. This kind of proceeding is usually characterized by a very short term between the writ of summons and the court trial, more flexible treatment of the rules of evidence, an informal trial procedure and a relatively short term between the trial and the summary judgment.

153. For interlocutory relief, the facts of the case must reveal not only a serious question to be tried, affording some prospect of success at full trial, but also the necessity of an urgent decision. This need

can be established by the *likelihood of irreparable damage* if the defendant's allegedly unfair acts do not cease immediately. As the proceeding must remain speedy and efficient, formalities are less important and only *prima facie* proof, that is, evidence on which serious assumptions can be made, is required. Thus, in cases where the facts are beyond doubt and the urgency is obvious, courts are sometimes able to issue a cease-and-desist order without hearing the defendant. In this respect, a special form of accelerated procedure has been established under Swiss Law, allowing the issuance and execution of preliminary injunctions within a few hours in order to withdraw infringing articles temporarily from a point of sale, or even from an exhibition or auction. On the other hand, the defendant should not be deprived of his rights if the matter is doubtful. Thus, courts consider the *balance of convenience* when granting or refusing injunctions. This balance entails considering the interests of both sides, including the relative strength of each party's case, and whether the defendant, if the injunction were granted, would be adequately compensated by virtue of the plaintiff's undertaking as a security for damages. In some countries, any claim brought in an accelerated procedure must also be brought before a civil court in an ordinary proceeding, possibly within a certain time limit.

C. *Criminal Sanctions*

154. In most countries criminal sanctions are available against certain specific acts of unfair competition, frequently alongside civil sanctions, but sometimes exclusively, as in some cases of *consumer protection*. Such criminal sanctions are often provided for in respect of severe cases of unfair practice and misuse of trade secrets, but also in special areas of consumer protection like the omission or the misleading use of indications, particularly for beverages and food. Most criminal sanctions range from a fine, sometimes without any statutory maximum, to imprisonment, usually for up to two or three years. However, where civil remedies can be obtained quickly and effectively, criminal sanctions generally play a less important role in practice. One major principle of criminal law is that only a particular, precisely defined act is punishable, and so general provisions of unfair competition can only be backed by civil law sanctions.

155. Under some legal systems,⁶⁸ natural persons and legal entities or administrative authorities can also be prosecutors in criminal proceedings. In some countries,⁶⁹ a victim may demand compensation, as a result of criminal proceedings, up to a limited amount. An interesting combination of both civil and criminal sanctions is available under French law, where the party who has been harmed by an unfair act constituting a criminal offense may claim his damages as a civil party without restrictions before the criminal court that is prosecuting the unfair act.

D. *Administrative Sanctions*

156. Many laws provide for administrative sanctions, which may be additional to the civil and/or criminal sanctions already available under unfair competition law.⁷⁰ Governmental intervention may be necessary to repress certain undesirable practices if competitors are unlikely to object to them and consumers are not in a position to take action. Thus the coexistence of different types of sanction ensures that all legitimate interests receive the required protection. Administrative sanctions may, however, be restricted to some specific acts of unfair competition that are particularly prejudicial to the public interest, such as misleading acts. Yet the administrative authorities of some countries, like the Federal Trade Commission of the United States of America, have very broad discretionary powers with respect to the choice and scope of remedies.

157. In the administrative proceedings, the authority in charge is usually empowered to institute inquiries against companies suspected of engaging in unfair trade practices, and may issue appropriate orders to cease and desist from the unfair act, or take any other measure necessary to stop such acts. In some countries, the public authority itself may be invested with judicial powers similar to those of a civil court (like the Monopolies and Restrictive Trade Practices Commission in India, and the Office of Economic Competition in Hungary). In other cases the authority can initiate criminal or civil proceedings against

⁶⁸ Notably in the United Kingdom.

⁶⁹ Notably Germany and the Netherlands.

⁷⁰ Notably in Australia, Belgium, Bulgaria, France, Hungary, India and Romania.

persons engaged in unlawful acts. The civil action can be brought in order to claim a final injunction and possibly also, although seldom, to recover damages on behalf of the complainant (as in Hungary).

158. Other administrative sanctions and proceedings are usually part of the regulation of competition in the public interest, such as provisions on colportage, pharmaceutical products, clearance sales and obligatory indications for food and beverages. However, such administrative proceedings, which normally lead to a fine, cannot be regarded as adequate remedies for the benefit of competitors.

E. *Sanctions Under Self-Regulation*

159. In some countries, a considerable proportion of the sanctions introduced to *protect consumers* stem from the voluntary self-regulation created by and for the advertising industry.⁷¹ Where these systems function efficiently, the need for government regulation of the relevant commercial or industrial sectors is substantially reduced. In the United States of America, however, sanctions under self-regulation systems are severely limited by antitrust law because of concern that such systems might be used to restrict competition. The “codes” of self-regulation traditionally grant individual competitors or other market participants and consumers the same means of preventing or suppressing abuse, since there are normally no restrictions on the legal interests of the person entitled to start proceedings. Moreover, there are few formalities to meet regarding the form of the complaint, and decisions are taken within a short space of time.

160. Complaints under self-regulatory codes are investigated by specific bodies which, as mentioned above, may even have some semi-public character. Such bodies can require that the advertisement involved be *withdrawn or amended*, but compensation for damages is not usually possible under such self-regulatory provisions. Another effective sanction under a self-regulation code is *publication of the decision* of the relevant controlling body, including the name of the advertiser involved. Also, if the media concerned have adhered to the relevant code, they can decide not to publish advertising found to be

⁷¹ Notably in Italy, the Netherlands and the United Kingdom.

in breach of it, and they may possibly refuse advertisements from agencies that defy the authority of the controlling body. However, if the advertiser involved is not likely to obey, or the complainant is not satisfied, the decisions of such bodies should be subject to appeal before a civil or administrative court. In the United Kingdom, for example, the Advertising Standards Authority can ask the Director General of Fair Trading to apply for a final injunction under the Control of Misleading Advertisements Regulations 1988 (or other relevant legislation) if it is not successful in persuading the advertiser of his wrong.

ANNEX

LIST OF LEGISLATIVE TEXTS CONCERNING PROTECTION AGAINST UNFAIR COMPETITION*

National Legislation

- | | |
|-----------|---|
| Argentina | – Law on Commercial Loyalty No. 22802 and Regulations, 1983
– Penal Code, Article 159 |
| Australia | – Trade Practices Act (Sections 1-6, 52-55A, 75B-87A), 1974 |
| Austria | – Federal Law Against Unfair Competition, 1923 |
| Belgium | – Law on Trade Practices and Consumer Information and Protection, 1991 |
| Bolivia | – Code of Commerce, Articles 66 to 71
– Penal Code, Articles 235 to 238 |
| Brazil | – Code of Industrial Property (Law 7903 of 1945), Article 178
– Code of Industrial Property (Law 5772 of 1971), Articles 2(d) and 128 |
| Bulgaria | – Law on the Protection of Competition, 1991 |
| Canada | – Combines Investigation Act, 1976
– Competition Act, 1986
– Business Practices Act (Ontario), 1974
– Trade Practices Act (British Columbia), 1974
– Unfair Trade Practices Act (Alberta), 1975 |

* The information provided is not exhaustive. Translations of the titles of the legislative texts are not official.

-
- | | |
|-------------|---|
| Chile | – Law 18223 on Consumer Protection, 1983, Article 7 |
| China | – Law on Protection Against Unfair Competition, September 1993 |
| Colombia | – Code of Commerce (Law 410) of 1971, Title I, Articles 75 to 77
– Penal Code, Articles 236, 238 and 280 |
| Costa Rica | – Central American Convention for the Protection of Industrial Property, Articles 65 to 71 |
| Denmark | – Marketing Practices Act, 1974 |
| Ecuador | – Civil Code, Article 2331 |
| Egypt | – Business Names Act, 1951 |
| El Salvador | – Code of Commerce, 1970, Articles 488 to 497
– Central American Convention for the Protection of Industrial Property, Articles 65 to 71 |
| Ethiopia | – Commercial Code, 1960 (Art. 1-149) |
| Finland | – Law No. 1061 on Unethical Conduct in Business Dealings, 1978
– Law No. 38 on Consumer Protection, 1978 |
| France | – Civil Code, Article 1382
– Law No. 73-1193 Organizing Trade and Handicrafts (“Loi Royer”), 1973
– Law No. 78-23 on the Protection and Information of Consumers of Goods and Services, 1978
– Decree No. 78-464 on the Application of Chapter IV of Law No. 78-23, 1978
– Law No. 89-421 on the Information and Protection of Consumers and Certain Trade Practices, 1989
– Law No. 88-14 on Judicial Actions of Authorized Consumer Associations and on Consumer Information, 1988 |

-
- Decree No. 88-586 on the Application of Article 2 of Law No. 88-14, 1989
 - Law No. 92-60 to Strengthen Consumer Protection (comparative advertising), 1992
- Germany
- Law Against Unfair Competition, 1909
 - Bonus Ordinance, 1932
 - Discounts Law (with Implementing Decree), 1933
 - Foodstuff and Consumer Goods Law, 1974
 - Medicine Advertising Law, 1975
- Greece
- Law No. 146 Against Unfair Competition, 1913/1914
 - Ordinance No. 5206/89 on Misleading Advertising, 1990
 - Consumer Protection Law, 1991
- Guatemala
- Central American Convention for the Protection of Industrial Property, Articles 65 to 71
- Honduras
- Industrial Property Law, 1993, Articles 159 to 163
- Hungary
- Law on the Prohibition of Unfair Market Behavior, 1990
- India
- Monopolies and Restrictive Trade Practices Act, 1969 (Sections 1-18, 31-44, 48-67)
 - Consumer Protection Act (with Notifications), 1986
 - Trade and Merchandise Marks Act, 1958
- Ireland
- Consumer Information Act, 1978
- Israel
- Consumer Protection Act No. 5741, 1981
- Italy
- Civil Code (Articles 2595-2601), 1942
- Jamaica
- The Fair Competition Act, 1993, Section 37
- Japan
- Unfair Competition Prevention Law, 1934
 - Civil Code, Articles 703, 704 and 709
 - Act Against Unjustifiable Premiums and Misleading Representations, 1962

-
- | | |
|-------------------|---|
| Luxembourg | – Law to Regulate Certain Trade Practices and to Repress Unfair Competition, 1986 |
| Mexico | – Law on the Promotion and Protection of Industrial Property, 1991, Articles 213 to 227
– Federal Law on Consumer Protection, 1992, Article 32 |
| Netherlands | – Civil Code, 1992 (Articles 6:162 and 6:194 to 6:196) |
| New Zealand | – Fair Trading Act 1986 |
| Nicaragua | – Central American Convention for the Protection of Industrial Property, Articles 65 to 71 |
| Nigeria | – Companies and Allied Matters Decree, 1990 |
| Paraguay | – Law on Marks (No. 751), 1979, Articles 69 to 72 |
| Peru | – Law on the Repression of Unfair Competition, No. 26122 of 1992
– Norms on Advertising for Consumer Protection, Legislative Decree 691 of 1991,
– Consumer Protection Law, Legislative Decree 716 of 1991
– Penal Code 1991, Articles 238, 239, 240 and 241 |
| Philippines | – Act No. 3740 to Penalize Fraudulent Advertising, Mislabeling or Misbranding of any Product, Stocks, Bonds, etc., 1936 |
| Poland | – Law on the Repression of Unfair Competition, 1993 |
| Portugal | – Industrial Property Code No. 39.679, 1938 (Articles 211-213) |
| Republic of Korea | – Unfair Competition Prevention Law, 1986
– Monopoly Regulation and Fair Trade Law, No. 3320 of 1980 (Articles 15 and 16) |

-
- | | |
|--------------------------|---|
| Romania | - Law on the Repression of Unfair Competition, 1991 |
| Russian Federation | - USSR Council of Ministers Resolution No. 835 on Measures to Demonopolize the Economy, 1990 |
| Spain | - Law on Unfair Competition, 1991
- General Law on Advertising, 1988 |
| Sweden | - Act on the Protection of Trade Secrets, 1990
- Marketing Practices Law, 1975
- Law No. 1418 on Market Distribution, 1975 |
| Switzerland | - Federal Law Against Unfair Competition, 1986 |
| United Kingdom | - Trade Descriptions Act, 1968
- Fair Trading Act, 1973
- Consumer Protection Act, 1987
- Consumer Arbitration Agreements Act, 1988
- Unsolicited Goods and Services Act, 1971 and 1975
- Consumer Transactions (Restriction on Statements) Order, 1976
- Business Advertisements (Disclosure) Order, 1977
- Cancellation of Contracts Concluded away from Business Premises Regulations, 1987
- Control of Misleading Advertisements Regulations, 1988 |
| United States of America | - USC 15, Chapter 22, 1946 (Section 1125(a) and 1126(h) and (i)) "Lanham Act"
- Federal Trade Commission Act, 1914 (Section 5a-c)
- Model State Trademark Act, 1964
- Uniform Deceptive Trade Practices Act, 1964
- Uniform Trade Secrets Act, 1979
- Uniform Consumer Sales Practices Act, 1971
- Massachusetts Consumer Protection Act, Massachusetts General Laws, Ch. 93A1 |

-
- New York General Business Code, 1954 (/ 349-350i, 368a-e)
 - California Business & Professions Code (/14330/17000, /17200, /17500)
- Venezuela - Law to Promote and Protect the Exercise of Free Competition, 1991, Article 17
- Zaire - Legislative Ordinance No. 41/63 on Unfair Competition, 1950

Regional Legislation

- European Communities - Council Directive 84/450 concerning Misleading Advertising, 1984
- Proposal for a Council Directive concerning Comparative Advertising and amending Directive 84/450/EEC concerning Misleading Advertising, 1991

Agreement Relating to the Creation of an African Intellectual Property Organization (OAPI), Annex V, Article 17; Bangui, 1977

General Inter-American Convention on Trademark and Commercial Protection, Articles 20 to 23; Washington, 1929

Central American Convention for the Protection of Industrial Property, Articles 65 to 71; 1968.

