APPENDIX 8

Member States' CLP's responses to Phase 2 parasitic copying questionnaire

Bulgaria

1. **What difficulties have plaintiffs encountered in attacking look-alikes?**

The Supreme Administrative Court does not have a clear "definition" or guidelines according to which plaintiffs may be in a position to a priori predict whether a look-alike may be successfully attacked or not. The assessments with regard whether or not a look-alike is infringing according to Art.35 of the Law on Protection of Competition (LPC) differ in every case.

2. **Please provide a list of leading case-law, together with an indication of the relevant issues dealt with.**

Decision No 6910 of May 27, 2010 of the Supreme Administrative Court on case 2928/2010 – needed level of similarity; a distributor can also be defendant in such proceedings, it is not necessary to act against the producer;

Decision No 1340 of February 2, 2010 of the Supreme Administrative Court on case 14737/09 - Breaches of unfair competition have a lower degree of social danger as compared to other types of violations according to the LPC – important for establishing the size of the penalty – usually 2% of the total turnover of the company; (among others);

Decision No 4607 of April 1, 2011 of the Supreme Administrative Court on case 782/2011 – needed level of similarity; (among others);

Decision No 15313 of December 14, 2010 of the Supreme Administrative Court on case 20789/2010 – the imitated product does not have to be on the market for a long time or enjoy reputation; (among others);

3. **Do any procedural or legal barriers exist in your Member State which prevent or deter businesses from bringing actions against parasitic copies? Are the costs of taking action recoverable from the defendant if the action is successful?**

There are no barriers and costs are recoverable if action is successful and the costs can be evidenced before the termination of the court proceedings.

Answers should also be provided for the questions set below (4 to 9)

For such purpose, parasitic copying refers to situations where a product is offered for sale in a packaging which resembles an already existing branded product, influencing consumer behaviour to its benefit, without infringing any intellectual property rights such as trade marks, design rights or copyright. More precisely, parasitic copying will be examined on the basis of the following hypothetical scenario:

The previously established branded product will be referred to as "product A", and it belongs to a range of products marketed by undertaking A under trade mark A.

Product A is a mass consumption product bought in supermarkets, such as a detergent. Trade mark A is a well established brand, probably a market leader. Product A has been introduced in the market very recently and it has been particularly well received by consumers on the basis of its novelty, its efficiency claims and the selling power of trade mark A. Product A represents a new line claiming to incorporate the results on innovation efforts, by virtue of for example a new compound. Product A is sold at premium price.

The parasitic copying product will be referred to as "product B", or, simply the look-alike. Product B has a commercial origin different from that of product A. Product B claims to have the same new features of product A, by use of the same or similar compound. Product B is sold at a lower price than product A. Product B does not copy trade mark A, but the similarities in a substantial number of other aspects are blatant. From a distance the products can hardly be distinguished, by reasons of the shape of the packaging, its colours and some of the graphic arrangements. Product B is not a fake; it complies with all the industry standards and does not deceive consumers in any aspect related to its specifications.

Reference may be made to "Product C" which will be understood as another competing product, having a commercial origin different from those of products A and B, and which, as product B, claims to have caught up with the industry's latest developments and it is also sold at a cheaper price than A. Unlike product B however, product C uses its own distinctive trade mark and presentational features, thus without copying any of the presentational features of product A.

Similarities featured by products A and B are of such nature that they are likely to have one or more of the following effects on at least part of the relevant consumers:

Effect 1 - At least some of the consumers who purchase product B do so on the assumption that they are purchasing product A (even if they may realise after purchase that this is not the case);

Effect 2 - At least some of the consumers who purchase product B do so on the assumption that products A and B have the same commercial origin, or come from economically linked undertakings (even if they may realise after purchase that this is not the case);

Effect 3 - At least some of the consumers who purchase product B do so on the assumption that products A and B, having different commercial origins, are substitutes, being identical or highly similar in their specifications, nature and quality. As a result, price becomes the sole or main criterion under which the choice between the two products is to be made.

Questions:

4. **Can undertaking A take legal action against the presence of product B in the market? Please indicate the relevant legal provisions**.
   Undertaking A can take legal actions against product B on the grounds of Art 35 para 1 of the LPC.

5. **What elements must be established before the court by undertaking A in order to succeed?**

   The action is brought before the Commission for Protection of the Competition and only if appealed the proceedings are before the Supreme Administrative Court. Undertaking A must provide evidence that undertaking B is a competitor of undertaking A, that both products (A and B) are actually offered on the market and that product B is similar to product A in terms of the product per se, its packaging and the way it is offered on the market. Undertaking A does not have to fully establish these facts as the Commission is obliged to undertake an investigation of its own and gather evidences.

6. **Can the above mentioned cause of action be combined in one legal action based on trade mark, design or copyright infringement, if the look-alike product infringes one of such rights?**

No, these are different proceedings before different bodies and cannot be combined.

7. **What remedies would be typically awarded if undertaking A were to succeed? Are they cumulative or elective?**

Typically the remedies are reimbursement of costs, if evidenced before the conclusion of the proceedings. Undertaking B is also obliged to stop the infringement. Other than that undertaking A is not awarded any remedies. However, undertaking B has to pay a fine, which usually amounts to 2% of the total turnover of the undertaking.

8. **If undertaking A were to fail, would it face any sanctions from the court or would there be any other consequences as a result of the loss of the action?**

Undertaking A would have to reimburse the costs made by undertaking B, if evidenced before the conclusion of the proceedings.

9. Please examine the following images. How would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B? For the purposes of this question, you should exclude trade marks, designs and copyright law from your advice.

The bottles are identical, as is the design of the labels and the caps. The names of both products are also very similar.

Given the fact that there is no clear guideline on when the Supreme Court believes that an infringement according to Art.35 para 1 of the LPC is present, we would advise the client that in our opinion product B is a look-alike, which is infringing said provision, however we cannot guarantee the outcome of the case.

In the above case we would advise the same as in the first case.

Same as in first two cases with the leading arguments being the predominant presence of the cow-head and the background, as well as the shape of the packaging.

Same as in first case, however look-alike seems to be almost identical to original product, thus the chances of success being bigger.

GERMANY

1. What difficulties have plaintiffs encountered in attacking look-alikes?

The following is a list of those issues that cause frequently problems in typical cases against look-alikes:

- **"Certain market awareness"**

  In order to have a case against look-alikes, plaintiffs need to show that there is (1) confusion, (2) exploitation of reputation, (3) obstruction or (4) the presence of any other unfair circumstance. Out of those, the most frequent course of action is to claim "confusion". Since 2001 (following the famous decision "Noppenbahn" of the Federal Supreme Court - see below) the courts have required that the imitated product enjoys a "**certain awareness**" on the market in order to be protected against confusingly similar look-alikes. That means that the imitated product must be known by a considerable number of consumers (not further quantified by the courts). In addition, such "awareness of the imitated product must exist at the time of the market entry of the look-alike.

  For niche products or products that were launched on the market only shortly before the look-alike appeared, this requirement is a significant stumbling block.

- **Presence of further, similar looking products on the market**

  Case law usually stresses that the presence of further, similar looking products (in addition to the imitated original and the look-alike) does not necessarily rule out claims against the look-alike product. This was in particular stressed by the "Rolex" decision of the Federal Supreme Court of 1986 - see below. However, it is still difficult for plaintiffs to deal with the fact that there are a number of other imitations on the market. It may be that the plaintiff cannot afford to take action against all look-alikes at the same time or it may be that other look-alikes - whilst also similar - are not as similar as the one against which action has been taken. Courts honour the existence of this problem but only to a certain extend. There are cases where the number and variety of imitations on the market is such that it unduly reduces the chances of success to act against the closest or commercially most important look-alike. There may be - in other words - a dilutive effect of such other products even if there is no realistic chance for the plaintiff to act decisively against all imitations.

- **No protection for "look and feel"**

  Courts only protect the specific, distinctive design of packaging or products against look-alikes. They refuse decidedly to protect the "concept" or "idea" of a certain product, packaging or product-packaging line. Courts apply this concept ever more strictly. Therefore, the use of typical colours, a specific "scenery" or other certain elements that make a product or packaging unique are normally times not protected against imitation by competitors.

- **Use of different brand names**

  Courts always stress that the relevance of a different brand name on the look-alike product depends on the circumstances of the individual case. However, it

has become increasingly difficult to argue confusion in the presence of a different brand name. This is particularly true for (1) different brand names on packaged goods, such as typical **supermarket goods** and (2) **technical goods**. With regard to packaged goods in the supermarket, courts usually take the view that the brand name is the most relevant criterion for consumers to distinguish goods. With regard to technical products, the courts say that a certain confusion would need to be accepted as long as the imitating party applied certain measures to minimize confusion. The use of a different brand name is one of the typical ways to minimize confusion in this respect.

For the sake of completeness, it has to be said that the use of different brand names in other areas, such as for non packaged goods like garments etc. is less relevant. In these areas, courts are still prepared to issue injunctions even in the presence of a different brand name.

- **Survey evidence not esteemed**

  The courts are of the opinion that confusion has to be determined not by consumer surveys but with a view to a (fictitious) average, well informed consumer. Typically, the judges believe to know themselves how such average, well informed consumer would perceive a certain product. This leads to the fact that consumer surveys are typically not sufficiently esteemed at the time of deciding of whether or not a look-alike product causes confusion.

- **Systematic imitations**

  Case law acknowledges that there is a specific unfair element of such cases where more products or a complete product line is copied. Yet, the courts typically require that the plaintiff has suffered **commercial loss** as a consequence of the fact that his products are **systematically copied**. In many cases, it is not easy to show such "commercial loss" as a consequence of the presence of imitations on the market.

- **Compatible products**

  The fact that a look-alike product is compatible with the original is not an element that will be held against the defendant. To the contrary, there is the assumption that the distribution of compatible products is free and should not give rise to any claims against it. This goes not only for spare- and repair parts but also for cases where the main products are compatible with each other. Case law that had taken a different view - in protection of originals against compatible look-alikes - is outdated and not applicable anymore. As a result of this development, the producer of an original, imitated product usually needs to accept that there are compatible products on the market - at least if the compatible imitations bear different trade names and possibly other markings that allow to distinguish them from the original.

2. List of leading case law, together with an indication of the relevant issues dealt with

The following is a selection of some of the most relevant cases in Germany, divided into those three areas that typically provide a course of action against look-alikes: (1) confusingly similar products or packaging, (2) exploitation of reputation or (3) obstruction of distribution. The selection of cases was not made with a view to the seniority or the

recognition of the decision. Rather, the selection is based on the relevance of the precedent, its contribution to the development of the case law and its continuous relevance.

2.1 Cases concerning confusion

- **"Beschlagprogramm" - decision of 6 February 1986 - Federal Supreme Court**

  This decision concerns the imitation of a whole line of grips and handles for furniture. The Federal Supreme Court points out that the "distinctive appearance" (always required for the protection against look-alikes) does not necessarily need to be embodied in only one piece of the imitated product (such as an imitated handle or grip). Rather, the distinctive appearance can also stem from the overall design of the entirety of a certain line of products. Hence, there may be a claim against an imitated product line even though the individual pieces of the product line have a very simple design.

- **"Modulgerüst" - decision of 8 December 1999 - Federal Supreme Court**

  The decision concerns the imitation of a scaffolding system. The individual pieces of the original and the imitation looked very similar. The Federal Supreme Court concluded that also such technical products enjoy protection against imitation. The only limitation concerns products whose technical features leave absolutely no room for variations or alternatives (unlike in the case at issue). The Federal Supreme Court further concludes that the party imitating such technical product must undertake every effort to minimize the confusion that may be created by the similar or identical appearance of the technical products. The use of a different brand name for the imitating product is not necessarily sufficient to rule out confusion. It may also be necessary to apply other markings that exclude or minimize confusion.

  In the context of this decision, the Federal Supreme Court also stresses that a significantly inferior quality of the compatible look-alike product may be an additional reason for legal claims.

- **"Viennetta" - decision of 19 October 2000 - Federal Supreme Court**

  This decision concerns the imitation of a packaging of boxed ice-cream. The original, imitated packaging show the picture of a specifically shaped ice-tart with the company name "Langnese" (Unilever) and the product name "Viennetta" on it. The imitation showed similar shaped ice-tart with the different company name ("Schöller") and a different product name "Café au Lait". The Federal Supreme Court came to the decision that consumers identify packaged supermarket goods typically by their brand name. The packaging design with a display of the product is typically not overly fanciful and individual and therefore not too relevant to distinguish the product. The Court also remarks that the decision would be different if the design of the packaging would have been copied identically.

  In the context of this decision, the Federal Supreme Court also highlights that it is the point of sale which matters for the confusion. Any confusion created post-sale

shall not be relevant. Therefore, the fact that the ice-tart (unboxed) looked very similar was not relevant for the decision of the case.

- **"Noppenbahn" - decision of 8 November 2001 - Federal Supreme Court**

  This decision concerns the imitation of a foil for industrial purposes. The distinctive feature of the original foil is a distinctive knob pattern on the foil in certain configuration and shape. In this decision, the Federal Court of Justice developed the idea that only such products deserve protection against imitations that enjoy a "certain awareness" on the relevant market.

- **"Knoblauch Würste" - decision of 2 April 2009 - Federal Supreme Court**

  This decision also concerns the relevance of different brand names on similar looking supermarket goods. The Federal Supreme Court repeats the doctrine of the "Vienetta" decision that different brand names have high significance for supermarket packaging. The Federal Supreme Court makes an exception, however, for cases where the imitated product does **not bear a proper brand name** but the **name of a supermarket chain** or name of another distributing organisation. This decision establishes the difference between the use of brand names on the one side and the use of marks of distributors/retailers on the other side.

- **"Ausbeinmesser" - decision of 2 April 2009 - Federal Supreme Court**

  This decision concerns the identical copy of a specifically shaped meat knife. Whilst the shape of the original meat knife was not very fanciful and mainly determined by technical considerations, the Federal Supreme Court was still of the opinion that claims against look-alikes may be justified. The fact that the imitator also imitated a good technical solution would have required to minimize (potential) confusion by applying a different name or different markings.

2.2 Cases of exploitation of reputation

- **"Tchibo/Rolex" - decision of 8 November 1984 - Federal Supreme Court**

  The decision concerns a cheap imitation for mass distribution of the famous Rolex Oyster watch. Apart from the different brand name, imitation and original looked almost identical. The Federal Supreme Court came to the conclusion that there was no likelihood of confusion given the very different prices, retail environment and brand name. Yet, the Federal Supreme Court said that there was a exploitation of reputation. This is because people would buy the cheap imitation predominantly in order to appear to the outside world as the owner of a Rolex Oyster watch. Such intention to create the image of being a "Rolex owner" was a clear indication that the purchasers of the cheap imitations were mainly motivated by the reputation of the original.

- **"Tchibo/Rolex II" - decision of 17 June 1992 - Federal Supreme Court**

  This decision concerns the calculation of damages in cases of unlawful look-alikes. The Federal Supreme Court did not object to a fictitious license fee in the amount between 10 to 15 % based on the turnover achieved with the imitation. The extraordinary high percentage was due to the high reputation of the imitated original (the Rolex Oyster watch).

2.3 **Cases of obstruction**

- **"Ovalpuderdose" - decision of 8 October 1976 - Federal Supreme Court**

  The decision concerns the identical imitation of the design of a powder pot for cosmetic powder. The imitated original had not been marketed in Germany. Yet, the producer of the imitated original had started distribution in England and France and there were plans to also introduce the product in Germany and other countries. The Federal Supreme Court came to the conclusion that the distribution of the look-alike product in Germany may amount to an obstruction of the market entry in Germany for the original product.

3. Can undertaking A take legal action against the presence of product B?

According to section 4 no. 9 and section 5 subp. 2 of the Act against Unfair Competition, undertaking A can take legal action against product B if: (1) product A has a "distinctive appearance, (2) product B is an imitation of product A and (3) specific unfair circumstances are present, such as (a) confusion, (b) exploitation of reputation or (c) obstruction.

In the given case, it is almost certain that the appearance of product A will have some "distinctive appearance" within the meaning of unfair competition law. Typically, courts attribute a lower to average distinctiveness to product and packaging designs that accords to typical market standards for attractively designed labels and packaging. Due to the facts of the case, it is also clear that the design of product B is an imitation of the design of product A. In this context, it is **irrelevant that the content of the product also bears a certain similarity**. Only the similarity of the outer appearance counts. In this context, it is highly relevant whether product B is an identical or almost identical copy or whether it is only similar. The relevance of this point will be shown in the subsequent paragraphs.

Undertaking A **will not be in a position to raise claims for exploitation of reputation** or obstruction. The fact that some consumers will be reminded of product A when seeing product B is not sufficient to create a claim for exploitation of reputation. For the purpose of such exploitation of reputation, there need to be very specific reasons that trigger a consumer to buy product B even though he knows that it is not from the same source. Such specific reasons are not present in the given case.

The **only option is to claim confusion**. Due to the precedents of the cases "Vienetta" and "Knoblauch Würste" ("garlic sausages"), judges will most likely come to the following conclusions:

- If the product design is almost identical or perhaps highly similar (and even though the brand name is completely different), there will be confusion and undertaking A has a good claim against product B.

- If the design is similar and the brand name bears some similarity (even without being necessarily confusingly similar within the meaning of trademark law) there may also be a reasonably good chance for the plaintiff.

- If the product design is similar and the brand name does not show any similarity it is very difficult to prevail with any claims. In this context, it will be - most likely - irrelevant that some consumers actually confuse the products. The judge will take the view that it is the average, well informed consumer that should decide.

Ultimately, that means that it is the judge himself that decide whether he finds both products confusingly similar or not. Typically, judges would not be convinced by a consumer survey suggesting that their own view is wrong. Rather, consumer surveys would only help to support a view that the judge has tentatively taken before or in cases where the judge is undecided.

4. **What elements must be established before the Court by undertaking A in order to succeed?**

As explained under question 4 above the most critical question for undertaking A is to show that the product design is not only similar but almost identical or to show that the trademark bears significant similarities (without necessarily being confusingly similar).

Alternatively - and in accordance with the decision "Knoblauch Würste" - undertaking A may try to argue that the trademark name of product B is not a proper brand name but only the name of a retail or wholesale distributor.

5. **Can the above mentioned course of action be combined in one legal action based on trademark, design or copyright infringement?**

The answer to this question is affirmative. All claims can be combined in one action. In fact, it is the most typical approach to raise claims for copyright infringement and unfair competition law together. Subject to availability, also design and trademark infringement claims will be raised at the same time.

6. **What remedies would typically be awarded if undertaking A were to succeed?**

The courts can cumulatively award the following:

- Cease and desist order
- Order to disclose the source
- Order to render account
- Other claims such as publication of judgement are typically not awarded (but possible). There is no claim for destruction of the products

7. **If undertaking A were to fail, would it face any sanctions from the Court or would there be any other consequence as a result of the loss of the action?**

Typically, the severest consequence of losing an action against a look-alike product is that the plaintiff has to compensate the other side for their legal expenses and to pay the court fees. The **compensation of legal fees is limited to the "statutory fees**" that derive from a statutory table of fees. This statutory table of fees ties the fees to the **commercial value** of the case. Typically, the amount of compensation is between € 3,000 and € 15,000 per instance. The only cases where these amounts are significantly overshooted are when expert opinions or consumer surveys had to be submitted or if the commercial value of the case is very high.

As in all other areas, the plaintiff has to compensate the defendant if a judgement or preliminary injunction is enforced and lifted later on. This accords to general rules of the law of civil procedure.

Unless there are very specific circumstances, there is no other recourse or remedy that the prevailing defendant would have against the plaintiff.

8. Would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B (with regard to the subsequent product samples)?

8.1 **Malt Vinegar**

It is likely that the producer of product A (Sarson's) has a claim against producer of product B (Samson). This is due to the following reasons:

- The colours of the labels are identical
- The design of the label is fairly similar
- Most importantly, the brand name (Sarson's and Samson) is similar by all means (irrespective of the specific assessment under trademark law).
- The fact that the shape of the bottle and the colour of the liquid may be generic is irrelevant in this context

8.2 **Butter box**

It is rather likely than not that product A (utterly butterly) has a claim against producer of product B (heavenly buttery). This is due to the following reasons:

- The product design is almost limited to the graphical design of the brand name. The graphical design of both brand names is quite similar.
- The brand name itself bears at least some similarities.
- The assessment strongly relies on the fact (according to the outline of facts) that product A is well known among consumers.
- The fact that the colour of the box and its shape is generic is probably less relevant.

8.3 **Round cheese box**

It is unlikely that the producer of product A has a claim against the producer of product B. This is because of the following:

- The trademarks of the products are dissimilar.
- The design of the boxes is not very similar. Rather, the similarities are limited to the presentation of the cow and some other elements.
- The round form of the box is not very distinctive (if at all).
- The set of facts strongly equals the set of facts in the "Knoblauch Würste" ("garlic sausages") case as decided by the Federal Supreme Court.

8.4 **Cleaning spray**

It is highly unlikely that producer of product A ("Ecover") has any claim against the producer of product B ("Tesco N"). This is because of the following:

- The shape and the colour of the spray bottle is generic.
- The trademark is dissimilar.
- The design of the label is not very similar.
- The fact that some design concepts are taken over from product A for the benefit of product B is not relevant in the overall context.

ITALY

1. What difficulties have plaintiffs encountered in attacking look-alikes?

As outlined in our previous reports (see answers 3 and 4 of the first report on parasitic copying), look-alike is traditionally qualified by Italian courts and scholars as an unfair competition conduct called "confusing unfair competition" or "slavish imitation", provided by Article 2598, paragraph 1, No. 1 of the Italian Civil Code ("**ICC**"). Such rule provides the possibility for the plaintiff to prevent look-alike conducts in cases where the similarity between the external appearances of two products is likely to lead to a likelihood of confusion as to the origin of the goods, despite the existence of different trademarks on them.

Hence, the most relevant difficulty which plaintiffs may encounter in bringing action against look-alikes is to successfully assess that a likelihood of confusion may be established. In particular, in order to successfully ground his action, the plaintiff shall demonstrate that *(i)* his product's appearance is provided with elements which are neither functional nor common in the relevant market field; *(ii)* such elements have acquired distinctiveness on the market so to be eligible to inform the consumer about the commercial source of the product; and that *(iii)* such elements appear on the parasitic product in so leading to a likelihood of confusion between the relevant goods, taking into consideration the overall impression of the average consumer.

Some scholars suggested to encompass the parasitic copying among the activities forbidden by another kind of unfair competition conduct under Article 2598, No. 2 ICC, the s.c. "values misappropriation". The latter would be more advantageous for the plaintiff as it prevents cases where the imitator copies the appearance of a well-known product so as to take advantage from its reputation on the market without any likelihood of confusion. Nonetheless, the great part of case law intends the concept of "value" as referred only to commercial promotion rather than to products' appearance. Recently, a few decisions on the merits have enjoined look-alikes also on the basis of "value misappropriation": the most of them, however, found also a likelihood of confusion among the packaging at issue and apply Article 2598, No. 2 together with Article 2598 No. 1 ICC.

2. Please provide a list of leading case-law, together with an indication of the relevant issues dealt with.

Article 2598, No. 1 ICC has been applied twice by the Italian Supreme court in examining the look-alike phenomenon, intended as "situations where a product is sold in a packaging which resembles an already existing branded product, influencing consumer behaviour to its benefit, without infringing any intellectual property rights":

(a) **Italian Supreme Court, 12 February 2009, No. 3478**

In *Rivista Diritto Industriale* 2009, II, p. 474.

The plaintiff, an Italian company which run its business in the mechanical field, offered on the market one of its model of milking machines in violet coloured metallic drums. One of its competitors started to market the same kind of products packed in violet coloured metallic drums on which a trademark different from the plaintiff's one were affixed.

Despite the fact that two different trademarks distinguished the parties' packaging, the Supreme Court held that the violet colour used by the plaintiff, being conceptually far from the common colour associated by the consumer to the milking machines, was perceived as distinctive by the relevant public. Accordingly, the Court outlined that the use of violet packaging to market milking machine was eligible to lead to a likelihood of confusion and therefore had to be enjoined according to Article 2598, par. 1, No. 1.

(b) **Italian Supreme Court, 19 December 2008, No. 29775**

In *Foro Italiano* 2009, p. 360

The plaintiff sued a competitor alleging that the latter was selling a table game very similar to one of its ones. In particular, the plaintiff argued that the similarities concerned the single parts of the games (fiches, cards, etc.) and the shape of the packaging it was marketed whereby.

The Supreme Court held that slavish imitation is to be intended as imitation of elements which may confuse the consumer at the moment of the purchase. In light of that, the parts marketed into the packaging, being not immediately visible by the relevant public, were considered as not eligible to lead to any likelihood of confusion under Article 2598, No. 1 ICC. As to the packaging, the Court specified that the evaluation of the elements which might lead to a likelihood of confusion shall be carried out considering the overall impression of the consumer and the latter's degree of attention at the moment of the purchase. In light of that, the Court outlined that the two packaging, which shared the general shape but were different as to colours and trademarks, were not leading to any likelihood of confusion.

3. Do any procedural or legal barriers exist in your Member State which prevent or deter businesses from bringing actions against parasitic copies? Are the costs of taking action recoverable from the defendant if the action is successful?

Italian law does not provide neither procedural nor legal barriers eligible to prevent or deter actions against parasitic copies.

As a matter of principle, Article 91 of the Italian Code of Civil Procedure ("**ICCP**") provides that the judge shall order the losing party to refund the proceedings legal expenses to the winning party. Nonetheless, Article 92 ICCP allows the judge to reduce or exclude consideration if equitable reasons occur.

Article 91 ICCP	
Italian	*English*
Condanna alle spese Il giudice, con la sentenza che chiude il processo davanti a lui, condanna la parte soccombente al rimborso delle spese a	*Order to refund legal expenses* *With the decision which terminates the proceedings before him, the judge orders the loosing party to refund the expenses*

favore dell'altra parte e ne liquida l'ammontare insieme con gli onorari di difesa. [...]	*to the other party and quantifies the amount thereof along with the defences fees. [...]*

Article 92 ICCP	
Italian	*English*
Condanna alle spese per singoli atti. Compensazione delle spese Il giudice, nel pronunciare la condanna di cui all'articolo precedente, può escludere la ripetizione delle spese sostenute dalla parte vincitrice, se le ritiene eccessive o superflue; [...] Se vi è soccombenza reciproca o concorrono altre gravi ed eccezionali ragioni, esplicitamente indicate nella motivazione, il giudice può compensare, parzialmente o per intero, le spese tra le parti. Se le parti si sono conciliate, le spese si intendono compensate, salvo che le parti stesse abbiano diversamente convenuto nel processo verbale di conciliazione.	*Order to refund expenses for single phases. Expenses compensation* *The judge, in holding the order to refund expenses provided by the previous Article, may exclude the refund to the winning party if he believe it to be exorbitant or superfluous; [...]* *If there is not a winning party or if exceptional reasons - which shall be explicitly outlined in the decision - occur, the judge may set-off, partially or entirely, the legal expenses between the parties.* *If the parties settle the dispute, it is presumed that the legal expenses are compensated unless the parties have differently agreed in the settlement report.*

Answers should also be provided for the questions set below (4 to 9)

For such purpose, parasitic copying refers to situations where a product is offered for sale in a packaging which resembles an already existing branded product, influencing consumer behaviour to its benefit, without infringing any intellectual property rights such as trade marks, design rights or copyright. More precisely, parasitic copying will be examined on the basis of the following hypothetical scenario:

The previously established branded product will be referred to as "product A", and it belongs to a range of products marketed by undertaking A under trade mark A.

Product A is a mass consumption product bought in supermarkets, such as a detergent. Trade mark A is a well established brand, probably a market leader. Product A has been introduced in the market very recently and it has been particularly well received by consumers on the basis of its novelty, its efficiency claims and the selling power of trade mark A. Product A represents a new line claiming to incorporate the results on innovation efforts, by virtue of for example a new compound. Product A is sold at premium price.

The parasitic copying product will be referred to as "product B", or, simply the look-alike. Product B has a commercial origin different from that of product A. Product B claims to have the same

new features of product A, by use of the same or similar compound. Product B is sold at a lower price than product A. Product B does not copy trade mark A, but the similarities in a substantial number of other aspects are blatant. From a distance the products can hardly be distinguished, by reasons of the shape of the packaging, its colours and some of the graphic arrangements. Product B is not a fake; it complies with all the industry standards and does not deceive consumers in any aspect related to its specifications.

Reference may be made to "Product C" which will be understood as another competing product, having a commercial origin different from those of products A and B, and which, as product B, claims to have caught up with the industry's latest developments and it is also sold at a cheaper price than A. Unlike product B however, product C uses its own distinctive trade mark and presentational features, thus without copying any of the presentational features of product A.

Similarities featured by products A and B are of such nature that they are likely to have one or more of the following effects on at least part of the relevant consumers:

Effect 1 - At least some of the consumers who purchase product B do so on the assumption that they are purchasing product A (even if they may realise after purchase that this is not the case);

Effect 2 - At least some of the consumers who purchase product B do so on the assumption that products A and B have the same commercial origin, or come from economically linked undertakings (even if they may realise after purchase that this is not the case);

Effect 3 - At least some of the consumers who purchase product B do so on the assumption that products A and B, having different commercial origins, are substitutes, being identical or highly similar in their specifications, nature and quality. As a result, price becomes the sole or main criterion under which the choice between the two products is to be made.

Questions:

4. Can undertaking A take legal action against the presence of product B in the market? Please indicate the relevant legal provisions.

Yes, undertaking A can sue undertaking B on the basis of Article 2598, No. 1. ICC Depending on some circumstances, No. 2 and 3 may cumulatively ground the action (see details under answers 3 and 4 of the first report).

Article 2598 ICC	
Italian	*English*
Atti di concorrenza sleale Ferme le disposizioni che concernono la	*Acts constituting unfair competition* *Subject to the provisions concerning the*

tutela dei segni distintivi e dei diritti di brevetto, compie atti di concorrenza sleale chiunque:	*protection of distinctive signs and patent rights, acts of unfair competition are performed by whoever:*
1) usa nomi o segni distintivi idonei a produrre confusione con i nomi o con i segni distintivi legittimamente usati da altri, o imita servilmente i prodotti di un concorrente, o compie con qualsiasi altro mezzo atti idonei a creare confusione con i prodotti e con l'attività di un concorrente;	*1) Uses names or distinctive signs which are likely to create confusion with the names or distinctive signs legitimately used by others, or slavishly imitates the product of a competitor, or performs by any other means acts which are likely to create confusion with the products and the activity of a competitor;*
2) diffonde notizie e apprezzamenti sui prodotti e sull'attività di un concorrente, idonei a determinare il discredito o si appropria di pregi dei prodotti o dell'impresa di un concorrente;	*2) Spreads news and comments, with respect to the products and activities of a competitor, which are likely to discredit them, or treats as his own the good qualities of the products or of the enterprise of a competitor;*
3) si vale direttamente o indirettamente di ogni altro mezzo non conforme ai principi della correttezza professionale e idoneo a danneggiare l'altrui azienda.	*3) Avails himself directly or indirectly of any other means which do not conform with the principles of fair practice in the trade and are likely to injure the competitor's business.*

5. What elements must be established before the court by undertaking A in order to succeed?

The most important element to be established by the plaintiff is the likelihood of confusion between product A and product B before the relevant public. Established Italian case law requires that the likelihood of confusion shall be examined by taking into consideration the overall impression of the average consumer. In such evaluation, distinctive elements shall not be necessary to obtain a technical result or to grant a substantive value to the product.

6. Can the above mentioned cause of action be combined in one legal action based on trade mark, design or copyright infringement, if the look-alike product infringes one of such rights?

Yes, in the Italian legal practice actions where an IPR's infringement is alleged are in the most of cases cumulated with unfair competition claims based on Article 2598 ICC, No. 1 and/or Nos. 2 and 3 ICC.

7. What remedies would be typically awarded if undertaking A were to succeed? Are they cumulative or elective?

Assuming that neither trademark nor other industrial property rights are infringed[1], the judge may award the following civil remedies against conducts amounting to unfair competition, under undertaking A's request:

[1] Please note that the definition of industrial property rights include not registered trademarks. Therefore, the remedies available for infringement of IPRs can apply to parasitic copying insofar as it is treated an infringement of a not registered trademark consisting in the shape or appearance of the product, provided that they have sufficient distinctive character and they does not consist exclusively of the shape which results from the nature of the goods themselves, the shape of goods which is necessary

(i) Injunction: the judge may order one party not to produce, import, export or carry out any other marketing activity concerning the copied products;

(ii) Publication of the decision: Articles 120 IICCP and 2600 ICC provide the possibility for the judge to order the publication of the whole or of a part of the decision rendered on some newspapers, websites and/or radio/television programme provided that the publication may contribute to restore the damage;

(iii) Penalty: according to Articles 614-*bis* IICCP and 2600 ICC, the judge may fix a specific amount to be paid by one party for any further violation of or for any delay in carrying out the orders (e.g. further marketing of the copied products or delays in publishing the decision within the due term ordered by the judge);

(iv) Compensation of damages: provided that the parasitic copying activity has led to any economic (e.g., loss of profit) or non economic (e.g., loss of reputation or turnishment of the commercial image of the company) damage, the judge may order the losing party to refund an amount determined according to standard rules of compensation (Article 2600 ICC).

Such remedies are cumulative. However, compensation cannot be granted in preliminary proceedings but only at the end of proceedings on the merits.

Article 120 ICCP	
Italian	*English*
Pubblicità della sentenza Nei casi in cui la pubblicità della decisione di merito può contribuire a riparare il danno, compreso quello derivante per effetto di quanto previsto all'articolo 96, il giudice, su istanza di parte, può ordinarla a cura e spese del soccombente, mediante inserzione per estratto, ovvero mediante comunicazione, nelle forme specificamente indicate, in una o più testate giornalistiche, radiofoniche o televisive e in siti internet da lui designati. Se l'inserzione non avviene nel termine stabilito dal giudice, può procedervi la parte a favore della quale è stata disposta, con diritto a ripetere le spese dall'obbligato.	*Publication of the decision* *In cases where the publication of the decision on the merits may contribute to compensate the damages, included those provided by Article 96* [of the Italian Code of Civil Procedure]*, the Judge, where requested by one party, may order the losing party, at his expenses, to publish the whole decision or a part of it in specified forms, on one or more newspapers, radio or television programs and web sites indicated by the judge.* *Should the publication not be carried out within the due term fixed by the judge, the winning party can provide for it and claim the restitution of the expenses vis-à-vis the loosing parting.*

Article 2600 ICC	
Italian	*English*

to obtain a technical result or the shape which gives substantial value to the goods in the sense or Article 3 of the 2008/95/EC Directive.

Risarcimento del danno	*Damage compensation*
Se gli atti di concorrenza sleale sono compiuti con dolo o con colpa, l'autore è tenuto al risarcimento dei danni. In tale ipotesi può essere ordinata la pubblicazione della sentenza. Accertati gli atti di concorrenza, la colpa si presume.	*If the unfair competition conducts are carried out with fraud or negligence, their author shall pay a damage compensation.* *In this case, the publication of the decision may be ordered.* *Once the unfair competition conducts are ascertained, negligence is to be presumed.*

Article 614-*bis* ICCP	
Italian	*English*
Attuazione degli obblighi di fare infungibile o di non fare	*Accomplishment of not fungible obligations or of not to do orders*
Con il provvedimento di condanna il giudice, salvo che ciò sia manifestamente iniquo, fissa, su richiesta di parte, la somma di denaro dovuta dall'obbligato per ogni violazione o inosservanza successiva, ovvero per ogni ritardo nell'esecuzione del provvedimento. Il provvedimento di condanna costituisce titolo esecutivo per il pagamento delle somme dovute per ogni violazione o inosservanza. [...] Il giudice determina l'ammontare della somma di cui al primo comma tenuto conto del valore della controversia, della natura della prestazione, del danno quantificato o prevedibile e di ogni altra circostanza utile.	*If this is not clearly inequitable, the judge may fix, within the decision and under a party's request, a specific amount due by the loosing party for any further violation or non-fulfilment or for any delay in accomplishing the decision. The decision constitutes titre exécutoire for the payment of the due amount for any violation or non-fulfilment.* *The judge fixes the amount provided in paragraph one taking into account the value of the matter, the assessed damages, the nature of the obligation and any other useful circumstance.*

8. If undertaking A were to fail, would it face any sanctions from the court or would there be any other consequences as a result of the loss of the action?

As a matter of principle, in case of loss of the action Article 91 allocates the costs of the proceedings upon the losing party. As outlined above, however, Article 92 allows the judge to set-off such costs where some circumstances occur.

From another standpoint, Article 96 ICCP allows the judge to order the losing party to further correspond additional compensation for damages in case of bad will or gross negligence.

Article 96 ICCP	
Italian	*English*

Responsabilità aggravata	*Aggravated liability*
Se risulta che la parte soccombente ha agito o resistito in giudizio con mala fede o colpa grave, il giudice, su istanza dell'altra parte, la condanna, oltre che alle spese, al risarcimento dei danni, che liquida, anche d'ufficio, nella sentenza. [...]	*If it results that the loosing party has sued or defended with bad will or gross negligence, upon request of the other party, the judge orders he or she to correspond, beyond the legal expenses, a damage compensation which is quantified in the decision. [...]*

9. Please examine the following images. How would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B? For the purposes of this question, you should exclude trade marks, designs and copyright law from your advice.

The above reported products share a number of aesthetical elements: the shape of the bottle, the colour of the cap, and some device and wording elements of the labels.

As far as the labels are concerned, the red colour might be considered common in the not-alcoholic drinks' field. Nonetheless, the two yellow framing stripes and, most of all, the two "SARSON'S" and "SAMSON" trademarks, seem leading to a likelihood of confusion before the relevant public. Indeed, both signs play a very distinctive role in the aesthetical appearance of the label and, considering the low attention of the average consumer of such kind of goods, their similarities would increase the risk for the relevant public to be confused about the commercial source of the products.

Whether the signs at issue have been registered or not is not relevant at our ends: indeed, according to established case law, the similarities between two distinctive signs, registered as trade marks or not, are eligible to trigger the provision of Article 2598, No. 1 ICC, which defines "slavish imitator" whoever "*uses names or distinctive signs which are likely to create confusion with the names or distinctive signs legitimately used by others*".

The above reported products shares two elements: the yellow colour of the package and the similarity between the wordings "UTTERLY BUTTERLY" and "HEAVENLY BUTTERLY". On the other hand, they differ as to the shape of the packaging (elliptical for the product A, more squared in product B).

The shape of the packaging might be considered not relevant as to the overall impression of the relevant consumers. Indeed, as underlined several times by Italian and European case law, average consumers are not used to perceive the three dimensional shape of a product as a distinctive element: this would exclude it from being taken into account in assessing the likelihood of confusion according to Article 2598, No. 1 ICC. From a different standpoint, it is likely that the yellow colour, shared by the two packaging, would also be considered not distinctive, being very common in the field.

In light of the above, likelihood of confusion between product A and product B shall be assessed focusing on the wordings "UTTERLY BUTTERLY" and "HEAVENLY BUTTERLY". These two signs share the colour (blue on yellow background), the almost identity of their second terms ("BUTTERLY" and "BUTTERY") and the final part of the words constituting the signs, which end with an "Y" and increase the phonetic similarity between them.

Given the lack of other distinctive elements, these signs would be considered the most distinctive part of the packaging. Their similarities would likely lead the average consumer to be confused about the commercial source of the products. The circumstance that the terms "UTTERLY BUTTERLY" and "HEAVENLY BUTTERLY" do not have any significance in Italian would make them harder to be precisely memorised by Italian consumers, in so increasing the likelihood of confusion according to Article 2598, No. 1, ICC.

Both product A and product B have a round shaped packaging on which a cow's muzzle appear surrounded by a panoramic background where a green lawn lays down a light-blue sky. On the other hand, the two packaging differ as to the wordings on the top ("THE LAUGHING COW" on product A and “TENERY” on product B).

Round shaped packaging is to be considered very common in the cheese field. From another standpoint, it is quite ordinary to include on the food products' packaging devices representing animals in their natural environment.

In the case at issue the two cow's muzzles appear to be quite different one from each other. The cow on product A is humanised, wearing two eardrops and laughing. The product B's cow is not humanised and designed in different colours (brown instead of red). The circumstance that products A's cow is laughing is further emphasised by the wording "THE LAUGHING COW", which would likely attract the attention of the average consumer and make easier for him or her to distinguish product A from product B via the distinctive message of an animal which laugh like a human being. The latter's element and the fact that product B "TENERY" trademark is dissimilar from the one distinguishing product A seem to exclude a likelihood of confusion between the products.

Products A and products B are almost identical in all their aesthetical elements but the colour of the spray devices on the top and some minor wordings on the labels.

As the shape of the products at issue is very common in the field and necessary to achieve the technical result to grip them, the similarities among the above reported labels would surely trigger Article 2598, No. 1 ICC.

As far as the product A on the left is concerned, the average consumer's attention would be attracted by two elements: the wording "ECOVER" and the green leaf device on the top left part of the label. Both such elements are represented in the correspondent product B's label, which would therefore lead to a likelihood of confusion or association.

As to product A on the right, the most distinctive elements on the label seem to be the wording "TESCO" and the big "N" device. Both such elements are affixed on the correspondent product B label, which copies from product A also the graphic characterisation of the big "N" device and other minor elements. In light of this, it is very likely that it would amount to a slavish imitation under Article 2598, No. 1 ICC.

SPAIN

1. What difficulties have plaintiffs encountered in attacking look-alikes?

Article 11 of the Unfair Competition Act of 1991 (*"Ley 3/1991, de 10 de enero, de Competencia Desleal"* - "**UCA**"), prohibiting the unfair imitation of third parties' products, services and initiatives establishes the general principle according to which the imitation is free. In practice, this translates into a restrictive approach by courts when interpreting this provision and the requirements that should be met for a claim under Article 11 to be admitted. In addition, plaintiffs are generally required to meet a high burden of proof in relation to those elements:

(a) The **imitation** of the look-alikes. In general, identity is not required -similarity is enough. However, some courts such as the Appeal Court of Las Palmas required identity between the products when the plaintiff claims that the imitation takes unfair advantage of the third party's efforts.

(b) Risk of **confusion in a wide sense (i.e. association)** must be proved further to a number of decisions. The filing of marketing studies proving that consumers may link the company manufacturing/marketing the look-alike with the original product is recommended. The Appeal Court of Madrid (judgment number 202/2007 of 22 October) dismisses the complaint concluding that there is no risk of confusion "in the absence of a market study proving otherwise".

(c) The **competitive merit** of the "original" product, i.e. that it has competitive singularity and that it is sufficiently established and is well-known in the market.

Similar restrictive approach and requirements are applied to Article 6 of the UCA. This provision prohibits *"any behaviour that is capable of creating confusion with a third party's activity, services or establishment".*

In relation to the above, it is worth mentioning that case law is not very consistent, in particular, when it comes to determine the scope of application of Article 11 and Article 6. It is neither consistent in the field of the evidence . We have identified two main trends when analysing the most recent and relevant decisions:

(a) Appeal Courts of Madrid (section 28) -*inter alia*, judgment number 178/2007 of 26 March, "*Magia Borrás v. Magia Funny*"- and of Barcelona (section 15) - *inter alia*, judgment number 202/2007 of 22 October, "*Granja San Francisco v. Luna de Miel*". They have a more restrictive approach. They dismissed claims under Article 11 when the plaintiff (very commonly) sought the prohibition of the imitation of the identification/distinctive elements or presentation of the products (i.e. typically, packaging) and not the imitation of the product itself.

For both courts (the most specialised courts in IP and unfair competition matters in Spain), the imitation of the distinctive (non-registered) elements/presentation of a product should be prosecuted under Article 6 (acts of confusion) and/or Article 12 (taking unfair advantage of a third party's reputation) and not under Article 11.

(b) Other courts have a less restrictive approach (and some older decisions of the above courts) and they admit claims under Article 11 when the plaintiff seeks the prohibition of the imitation of the packaging/form of presentation of the original product. These courts have also admitted claims under Articles 6, 11 and 12 of

the UCA for the same facts without distinguishing which of them fall in each of the aforementioned provisions.

Whereas the Supreme Court in a recent judgment (number 72/2010 of 4 March, "*Kinder Sorpresa v. Sorpresa*") acknowledges the difference in the scope of protection between Article 6 (i.e. identification means or presentation of the products or services) and 11 (i.e. products or "material creations"), it ends up revoking the appeal court decision and dismissing the claim under Article 11 of the UCA while confirming the claim under Article 6. The Court understands that the form of a chocolate egg, covered with a milk layer in the inside and containing a toy "does not have distinctive strength and can therefore not be protected under Article 11".

The same inconsistency would apply to the burden of proof that the plaintiff must submit for the claim to be admitted. Whereas some courts require proof of the risk of confusion by means of market studies, other courts carry out a theoretical/abstract analysis of this element without requiring any evidence.

Finally, in general, Spanish courts are very restrictive in the field of damages and require that the damages are fully proved. In most of the cases where the claims are granted, the plaintiff is either denied to be compensated for damages or the amount awarded is very limited.

2. Please provide a list of leading case-law, together with an indication of the relevant issues dealt with.

(a) Judgment of the Supreme Court **number 72/2010, of 4 March**, "*Kinder Sorpresa v. Sorpresa*".

The Court confirmed, partially, the judgment of the Appeal Court of Madrid and condemned Zaini Luigi S.p.A. under Article 6 of the UCA for the marketing of a chocolate egg "Sorpresa" for creating confusion with the product "Kinder Sorpresa" by Ferrero S.p.A. The Court dismissed the claim under Article 11 as it considered that the "Kinder Sorpresa" egg did not enjoy distinctive strength to be protected under that provision.

(b) Judgment of the Supreme Court **number 483/2009, of 7 July 2009**, "*Ariete S.p.A. and Ariete Hispania, S.L. v. Comelec Import y Export, S.L.".*

The defendant imported and marketed in Spain a fruit squeezer which imitated the plaintiff's. The Court rejects the appeal filed by the defendant and confirms the first and second instances' judgments concluding that there is a breach of Article 11 of the UCA:

(i) It refers to the scope of protection of Article 11 *vis-a-vis* Article 6 of the UCA and states that Article 6 protects the "distinctive signs, presentation of products and formal creations". Article 11 refers to "products, tri-dimensional shapes, as well as technical, artistic, aesthetic and ornamental creations". It refers to other judgments on the same question: 9 June 2003, 11 May 2004, 24 November 2006, 5 February 2008 and 25 February 2009.

(ii) According to the Court, the presence of the trademark or distinctive sign in the look-alike does not prevent the confusion as the products must be

compared globally and not element by element (i.e., "visual impact" of the products).

(iii) Whether or not the products co-exist at the point of sale or their price differs (circumstances alleged by the defendant to deny the risk of confusion) is irrelevant for a positive finding of risk of confusion. The fact that the products are sold in the same market sector is neither a requirement for a positive finding regarding the second part of Article 11.2 (i.e. taking unfair advantage of a third party's reputation or efforts). Similar conclusion is reached on the judgment of the Supreme Court number 1168/2006, of 22 November, RV Trade Estudios de Mercado, S.A. v. Erari, S.A.

(c) Judgment of the Supreme Court **number 887/2007, of 17 July**, *"Cepsa v. Depogas, S.L. e Induvimar, S.L."*.

The plaintiff claimed that the defendant infringed its utility model protecting an oil container and had carried out acts forbidden under Article 11 of the UCA. The Court dismissed the appeal filed by the plaintiff (the claim had also been set aside in first and second instances) and states that, as a matter of principle, the prohibitions established in the UCA (and, in particular, Article 11) must be interpreted restrictively (also, Judgment of the Supreme Court of 17 May 2004). It also sets out the requirements that must be met for a claim under Article 11 to succeed (i.e. three "positive" and two "negative"):

(i) Existence of an imitation of an essential element that must enjoy "competitive singularity".

(ii) The subject-matter of Article 11 is the imitation of material creations and not of (non-registered) distinctive signs.

(iii) The imitation must be suitable to create a <u>risk of association</u> in the consumers OR it must <u>take unfair advantage of a third party's efforts or reputation</u>. To assess whether the former requirement is met, attention should be paid to the average consumer who does not usually notice the small differences, as well as to a general visual impression of the products.

(iv) The first "negative" requirement is that the original material creation is not protected by an exclusive right. Hence, the application of one of the Industrial Property laws (i.e. trade marks, patents or designs) would exclude the application of Article 11 of the UCA.

(v) Finally, the imitation must be avoidable.

(d) Judgment of the Supreme Court **number 341/2004 of 11 May**, *"Protel v. Iberrail - Bancotel"*.

The Court dismisses the appeal filed by the plaintiff who also lost in the first and second instance. The plaintiff sold, through travel agencies, a "check book" composed of 5 checks that could be used -each of them- to pay for a double room in one of the hotels belonging to the same chain. The plaintiff claimed that the defendant had copied its initiative, as well as the content of the contracts signed with the hotels, the catalogue, the guide and the program.

The Court stated that it had been proved that the same product was already in the market before the plaintiff launched its own product. It stated that this is an important fact to be taken into account to identify the relevant market as well as to assess the behaviour of the defendant. In addition, it concluded that the prior existence of a singular product in the market may prevent that an association is produced in the consumers between the original and the look-alike.

In addition, the Court confirmed that providing evidence on the reputation and establishment of the original product in the market is a requirement. It is also for the plaintiff to prove the elements of the second claim contained in Article 11 - taking unfair advantage of the plaintiff's efforts (i.e. costs incurred in the development of the product and not recovered).

(e) Judgment of the Supreme Court **number 622/2006, of 21 June**, *"Neutrógena Corporation v. Laboratorios Alter, S.A. - Neutrocol".*

The defendant -who lost the case in the first and second instances-, claimed that the appeal court did not assess the evidence correctly. In his view, the court did not conduct an objective analysis of the evidence when, giving weight to the judge's subjective opinion, it disregarded the marketing studies filed by the defendant.

The Supreme Court concluded that market studies or any sort of expert evidence filed by the parties in this type of proceedings cannot be granted a superior value than other means of evidence. It also confirmed that, when samples of the confronted products are brought to the proceedings by the parties, the judge cannot disregard them. According to the Court, in fact, the judge has the obligation to analyse them in detail. When doing so, the judge could be considered -in the words of the Court- as "an average consumer" (other judgments along the same lines: 19 May 1993, 5 June 1997 and 1 April 2002).

(f) Judgment of the Appeal Court of Barcelona **number 178/2007 of 26 March**, *"Educa Borrás, S.A. v. Fentoys S.L. & Gerplex - Magia Borrás v. Magia Funny".*

The plaintiff claimed infringement of Articles 6, 11 and 12 of the UCA as a result of the marketing, by the defendants, of a game that copied the very famous game of the plaintiff "Magia Borrás".

The Appeal Court declares that Article 11 of the UCA does not apply because the plaintiff did not prove the competitive singularity of its own game and its elements. However, it concludes that the defendant carried out acts prohibited under Articles 6 (i.e. confusion) and 12 (i.e. taking unfair advantage of a third party's reputation) of the UCA. In order to reach that conclusion, the Court confirms that the plaintiff proved that its product was in the market first (including the copied packaging and distinctive signs), as well as its prestige and reputation, along with all his investments in advertising.

Finally, the Court concluded that the product of the defendant created a risk of confusion with the plaintiff's products despite their price and size differences and the different brand.

(g) Judgment of the Appeal Court of Madrid **number 202/2007 of 22 October**, "*Nutrexpa, S.A. v. Famille Michaud Apiculteurs, S.A. - Miel de la Granja San Francisco"*

Nutrexpa, S.A. claimed that the defendant infringed its utility model (used for the marketing of its well-known honey) and that the marketing of its product in a plastic bottle imitating the shape of the plaintiff's bottle fell under Articles 6, 11 and 12 of the UCA. The Court rejects the application of Article 11 of the UCA to the case as it understands that the container does not provide the consumer with any "additional utility", constituting a "simple way to present the product".

It therefore dismisses the appeal filed by the plaintiff and concludes that the containers are sufficiently different -although both evoke a honeycomb. In order to reach its conclusion, the court expressly states that the plaintiff did not provide any evidence (in particular, any market study) proving the risk of confusion.

Special relevance is given to the expert evidence filed by the plaintiff also in the Judgment of the Supreme Court number 717/2006 of 7 July, *"L'Oreal, S.A. - Modelling v. Mantenbién".*

(h) Judgment of the Appeal Court of Madrid **number 516/2003 of 3 September**, *"Pret-a-Manger v. Delinas".*

The Court admitted -partially- the appeal of the plaintiff against the judgement of first instance which denied its active standing ("Pret a Manger (Europe) Limited") because it did not operate in Spain.

The Appeal Court of Madrid confirms the active standing of the plaintiff on the basis of Article 10bis of the Paris Convention. It also states that the focus should be on whether or not the defendant carried out unfair practices and not on whether or not the defendant operates in the Spanish market. The Court continues by concluding that the plaintiff had carried out acts which show his willingness to enter the Spanish market (for instance, it registered several trade marks with effects in Spain).

This is the only decision of which we are aware where a court admits a claim under Articles 6, 11 and 12 in a case where the defendant is not present in the market, i.e. the imitation was first in the Spanish market but was in fact second as the plaintiff's establishments pre-existed abroad.

(i) Judgment of the Appeal Court of Barcelona **of 28 June 2002**, "*Nutrexpa, S.A. v. Chocolates Hosta Dulcinea, S.A. - Cola-Cao".*

The Court upheld partially the appeal filed by the plaintiff against the first instance decision. It provided a variety of factors that must be taken into account to determine whether a risk of confusion might be produced in the context of Articles 6, 11 and 12 of the UCA.

According to the Court, a comparison between the distinctive signs of the products in dispute and of the products themselves is not enough. Other circumstances such as their price or the distribution channels or the advertising materials used to promote them must be taken into account. On these bases, the Court concluded that the product of the defendant (i.e. a chocolate powder in a yellow round container with a red tap), which was marketed in the same distribution channel than the product of the plaintiff (i.e. the very well-known

"Cola-Cao", traditionally marketed in a yellow round container with a red tap), could be associated with the latter and therefore ordered the defendant to withdraw its product from the market and to change the packaging and additional elements.

(j) Judgment of the Appeal Court of Valencia **number 719/2002 of 20 November,** *"Popular de Juguetes, S.L. v. Juguetes Falomir, S.A. - Exin Castillos v. Maxim Castillos".*

The Court concludes that the game of the defendant, in its original as well as in its new presentation, imitates the game of the plaintiff unfairly and therefore it orders him, on the basis of Article 11 of the UCA, to cease all manufacturing and marketing of the product, as well as to withdraw all of them from the market and to destroy them. The Court gives weight to the evidence submitted by the plaintiff proving that other competitors market similar games with a very different presentation, avoiding all risk of association.

This is a very similar case to the one described in (f) above -Appeal Court of Barcelona. However, the Appeal Court of Barcelona rejected the application of Article 11 to the case as it understood that the risk of confusion was caused not by the copy of the product itself but by the copy of its distinctive signs (i.e. packaging and other elements) and therefore should be analysed under Article 6 of the UCA.

We prepared a comparative chart -attached as **Annex 1**- including photographs of the original product and the look-alike corresponding to some of the cases commented above.

3. Do any procedural or legal barriers exist in your Member State which prevent or deter businesses from bringing actions against parasitic copies? Are the costs of taking action recoverable from the defendant if the action is successful?

No, there are no special procedural or legal barriers to bring actions against parasitic copies other than the restrictive interpretation of all the claims under the UCA made by courts and the high burden of proof for the plaintiff required by the case law. We already discussed both issues in our prior comments.

However, there may be other barriers, of an economic nature, which may deter businesses from taking action:

(a) Launching civil proceedings in Spain may be expensive if compared to the initial costs in other jurisdictions. The plaintiff is expected to present the full case with the initial brief. Hence, all legal arguments and facts must be included in the complaint. In particular, the plaintiff must file all his evidence, including the expert evidence, with it. Only exceptionally can new facts (and evidence) be presented at a later stage. As to the expert evidence, the plaintiff is expected to file it with the complaint although under certain circumstances (urgency), he is allowed to announce it in the complaint and file it before the preliminary hearing.

Moreover, a matter of principle, preliminary injunctions must be applied for with the claim on the merits. The plaintiff will only be entitled to file a petition for a preliminary injunction before the claim on the merits if he can justify that the case enjoys a qualified urgency. When the preliminary injunctions are filed separately from the claim on the merits, the request is substantive and must include all the

facts and evidence -including the proposal of the evidence to be heard during the hearing- that the plaintiff intends to use therein.

In practice, the above means that substantial costs are incurred at the preparation stage which, in our experience, deters companies from taking action.

(b) In the same context, cost recovery (and exposure) is limited in Spain. Whereas the principle in costs' matters is that the loosing party shall bear the legal costs of the proceedings, the winning party would never recover his full costs.

Article 394 of the Spanish Civil Procedure Act of 2000 (*"Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil")* establishes the principle according to which the legal costs of the proceedings are to be born by the loosing party. However, that provision also states that said principle will not apply in case the judge considers -and justifies- that the case presented serious doubts in relation to the facts or the applicable law. When the claim is admitted only partially, Article 394 declares that each party should bear its own costs.

In addition, pursuant to paragraph 3 of the same provision, the losing party will only have to bear a maximum of 1/3 of the costs of the proceedings. Proceedings with an undetermined value (for instance, those where the plaintiff seeks -only- an injunction and not damages) are assigned a value of €18,000. The legal costs in this type of cases will therefore be assessed taken this amount into account.

Legal costs are calculated applying the percentages established in the guidelines of the competent Law Society to the value of the proceedings, with the maximum established in the law. In IP and unfair competition cases, the value of the proceedings is usually determined by the amount of damages claimed (in case there is a claim for damages as otherwise they will be considered of "undetermined value").

Finally, Article 35 of the UCA establishes that the statute of limitations for unfair competition claims is 1 years from the moment they could be launched and the plaintiff knew of the identify of the person carrying out the unfair act. In any event, the statute of limitations will be 3 years from the moment the unfair behaviour ceased.

4. Can undertaking A take legal action against the presence of product B in the market? Please indicate the relevant legal provisions.

Yes. Our view is that undertaking A could take action against product B on the basis of Article 6 and Article 11 of the UCA, i.e. acts of confusion and unfair imitation, respectively. In view of the recent amendment to the UCA, other claims such as the one provided under Article 25 (misleading practices for confusion) may be available. However, our opinion is that this provision is focussed on the protection of consumers and therefore we will focus on the other two.

As commented when referring to the most relevant case law, according to some courts Article 6 would protect undertaking A against the copy of the non-registered distinctive elements of its product (inter alia, packaging, colour and graphic arrangements) and Article 11 would grant protection against the copy/imitation of the product itself (i.e. the new and innovative compound which is the result of undertaking A's efforts). Other courts do not distinguish between the scopes of protection of both provisions and admit both claims on the basis of the same facts.

Original transcriptions and English translations of Article 6, Article 11 and Article 25 of the UCA are provided in an independent document.

5. What elements must be established before the court by undertaking A in order to succeed?

For our purposes, Article 11 of the UCA prohibits two types of unfair imitations: (1) the imitation is capable of creating association in consumers with the original product; (2) the imitation that takes unfair advantage of a third party's reputation or effort. The original product -according to the case law of the Supreme Court- must not be protected by an exclusive right (i.e. patent, trade mark or design).

In the light of the case law we have considered, the following elements must be established before the court by undertaking A:

(a) That product B is an **imitation** of product A. Identity is not required but the imitation must affect an essential element, i.e. an element which confers the original product competitive singularity -the new compound.

(b) That said imitation is capable of **creating a risk of association in the consumer with the original product.** Whereas, in principle, undertaking A does not have to prove the actual confusion (but only that, in the light of the circumstances, it is reasonable to assume that the average consumer may be confused), we would recommend undertaking A to produce evidence (market studies, expert reports) aimed at proving that the confusion-association happened.

(c) That the imitation happened **in the market**;

(d) That the **risk of confusion could have been avoided** by undertaking B; and

(e) The **competitive merit** of product A, i.e., that it has competitive singularity and that it is sufficiently established and is well-known in the market. This element will be essential in cases where the imitation implies taking unfair advantage of undertaking A's reputation or effort.

Similar requirements would apply in the case of Article 6: similarity of the products, risk of confusion (association would be enough) and establishment/reputation in the market.

As to the second claim under Article 11 (i.e. taking unfair advantage of a third party's efforts), the most restrictive courts would require undertaking A to prove: (a) the identity between product A and product B; (b) that undertaking A has not yet recovered his production costs; (c) that these costs were substantial; and (d) that the imitation causes undertaking A serious commercial harm.

6. Can the above mentioned cause of action be combined in one legal action based on trade mark, design or copyright infringement, if the look-alike product infringes one of such rights?

No. If the original product is protected by an exclusive right, the plaintiff must exercise -only- those rights to prohibit the copy/imitation (Article 11). So it has been confirmed by several decisions of the Supreme Court and the most reputed Appeal Courts. In addition, established case law declared also that Article 6 of the UCA is aimed at the protection of non-registered distinctive signs.

7. What remedies would be typically awarded if the undertaking A were to succeed? Are they cumulative or elective?

The most common remedies that would be typically awarded if the undertaking A were to succeed are described in Article 32 of the UCA -they are cumulative:

(a) A declaration that the behaviour of undertaking B is unfair and therefore illegal under the law;

(b) An order addressed to the defendant to cease in the unfair behaviour (i.e., the manufacture, marketing and/or promotion of the copies/imitations of product A), as well as a prohibition to do so -if it did not yet happen- and a prohibition to reiterate them in the future;

(c) An order to the defendant to remove all the effects caused by the unfair behaviour;

(d) An order to the defendant to pay undertaking A, a compensation for the damages caused in case the plaintiff proved that the infringer acted with negligence of with knowledge of the infringement;

(e) The compensation for the unfair enrichment obtained by the undertaking B, provided that the unfair practices related to parasitic copying harmed a legal position granted by an exclusive right or any other of a similar nature.

Finally, in case the remedies referred to in letters (a)-(c) above are awarded to the plaintiff, the judge may decide to order, at the defendant's costs, the publication, in whole or in part, of the judgment. He is also entitled to order the defendant to publish a declaration of rectification in case the effects of his behaviour can last for a long time.

8. If undertaking A were to fail, would it face any sanctions from the court or would there be any other consequences as a result of the loss of the action?

No. The only negative consequence for undertaking A in case it loses the case would be to bear -under certain circumstances described in 3. above- the legal costs of the proceedings.

9. Please examine the following images. How would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B? For the purposes of this question, you should exclude trade marks, designs and copyright law from your advice.

We would recommend undertaking A to launch proceedings against undertaking B under Article 6, or under Article 6 and 11 of the UCA, depending on which is the competent court to hear the claim (for unfair competition claims, the competent court would be the court of the place where the defendant has its establishment and, in case it does not have an establishment, the court of the place where the infringement was carried out).

Should the complaint be filed in one of the "specialised" courts in Spain, the claim would be based on Article 6 of the UCA (i.e. confusion) only. We would claim that by copying all the distinctive elements of product A (in particular, name, shape and size of the bottle, use of the same colour and shape in the tap, label and the colour combinations therein), product B is causing a risk that consumers take product B for product A or believe that product B (and or its manufacturers) is linked with product B.

In addition, we would recommend undertaking A to provide evidence of the confusion by means of filing market studies or expert reports confirming that the essential or more distinctive elements of both products coincide and that consumers would pay attention to those elements.

We would also recommend undertaking A to provide evidence in relation to the existence of similar products in the market with a different presentation (photographs above). Whereas this is not a requirement under Article 6 of the UCA, it will support undertaking A's position in the sense of proving that the defendant, in fact, intended to cause confusion.

Again, depending on the court hearing the claim, we recommend taking action on the basis of Article 6 of the UCA -only- or on the basis of Article 6 and 11 of the UCA.

A very similar case was decided in a judgment of the Appeal Court of Granada of November 2006 (judgment number 563/2006, *"Unilever N.V. v. Frico Dan, S.A. - Unbelievable This is Not Butter v. "Can't Believe It's Not Butter"*).

Unilever N.V. is the owner of the International Trade Mark number 596,079 ("I Can't Believe It's Not Butter"), registered in class 29 and used to identify its margarine in the market. The defendant had been, for four years, a distributor of the plaintiff's product in Spain after which it launched a new margarine identified with the name "Unbelievable This Is Not Butter". According to the judgment, the packaging of the products was very similar. The plaintiff launched proceedings for trade mark infringement and unfair competition. The decision does not contain any reference to the provisions of the UCA under which the plaintiff took action other than a general reference to "acts of confusion and taking unfair advantage of a third party's reputation". Hence, he could have acted under Article 6 and 11 or only under Article 11 of the UCA. The claim was admitted in the first instance -although the claim for damages was rejected.

The Appeal Court confirmed the decision of the first instance fully, including the lack of active standing of Unilever N.V. to claim damages because it marketed the products through a licensee and not directly. In particular, it confirmed the infringement of the plaintiff's trade mark -and the risk of confusion, considering that the relevant public was the "English community resident in the Costa del Sol". On the unfair competition side, the Court concluded that, given that the packaging

of the products were almost identical in colours and distinctive signs, the defendant was carrying out acts of confusion and was also taking unfair advantage of the plaintiff's reputation.

Overall, our view is that this would be a difficult case. Again, the claims -depending on the court- would be "confusion" -Article 6 of the UCA- or confusion and unfair imitation suitable to create a risk of confusion in the consumers with the original product (Article 11). On the similarity/imitation element, it would be of special relevance in this case to provide evidence that other undertakings do not market their products in a similar packaging (in particular, that they do not use cows). Since the cow depicted in the boxes refers to the nature of the product (i.e. cow cheese) and the cows in product A and product B are different, it would be difficult to argue that the similarities are enough for the purposes of the abovementioned provisions. In addition, the cow in product B does not reproduce the most distinctive elements of the cow of product A (i.e. the cow is laughing and it has ear rings). Finally, the brands are clearly different also.

Providing evidence on the risk of confusion, preferably on the confusion, would be highly recommendable. Should this evidence not be produced, it is unlikely the judge would conclude that the average consumer would take product B for product A or even believe they are related.

We recommend undertaking A to take action on the basis of Article 6 and on the basis of Article 11, in particular, on the basis of the second part of its paragraph 2 (i.e. taking unfair advantage of a third party's efforts).

Our view is that undertaking A should be able to establish quite easily the first element of the claim, i.e. similarity/imitation as, with the exception of the colours of the caps -and some small wordings and drawings on the labels - the most distinctive elements of the products are identical (i.e. shape, colour and size of the bottles, colour(less) of the liquid, letter type and colours in the labels and combinations thereof).

We also think that, in the light of that identity, taking into account that the brands are also identical, it seems reasonable to conclude that the risk of association in the average consumer is undisputable in this case and does not require abundant evidence. This conclusion would be reinforced by the fact that similar products of other undertakings are sold in very different presentations (photograph below). This would be important for the claim under Article 11.

The competitive singularity of the product -required under Article 11- may be more difficult to prove. The client will have to submit evidence in relation to the advantages of its products over similar products as well as about their presence in the market.

On the additional elements of the second part of Article 11 of the UCA (i.e. taking unfair advantage of a third party's efforts), undertaking A will also have to proof that it has not yet recovered the costs incurred in the development/production of its products, that these costs were substantial, and that the copying is causing it serious commercial harm.

*   *   *

Law 3/1991, of 10 January, on Unfair Competition

Article 6. Acts of confusion

All conduct capable of creating confusion with a third party's activity, services or establishment is considered unfair.

The likelihood of consumers associating the origin of the service is sufficient as the basis of the unfairness of a practice.

Article 11. Acts of imitation

1. The imitation of a third party's corporate or professional services and initiatives is free, unless they are protected by an exclusive right recognised by Law.

2. Notwithstanding the foregoing, the imitation of a third party's services shall be considered as unfair when that is capable of generating association by consumers with regard to the service or entails taking undue advantage of a third party's reputation or efforts.

The inevitability of the aforementioned likelihood of association or taking undue advantage of a third party's reputation rules out the unfairness of the conduct.

3. In addition, the systematic imitation of a competitor's corporate or professional services and initiatives shall be considered as unfair when such strategy is directly aimed at preventing or obstructing its position on the market and exceeds what, depending on the circumstances, could be regarded as a natural market reaction.

Article 12. Exploitation of a third party's reputation

Taking undue advantage, for one's own benefit or for the benefit of a third party, of the advantages of the industrial, commercial or professional reputation acquired by another on the market, is considered unfair.

In particular, the use of a third party's distinctive signs or false denominations of origin accompanied by a statement regarding the real origin of the product or expressions such as «model», «system», «type», «class» etc., is considered unfair.

Article 25. Misleading practices causing confusion

To promote a good or service similar to one marketed by a certain company or professional to deliberately lead consumers or users to believe that the good or service comes from that company or professional, when that is not true, is deemed to be unfair as a result of being misleading.

Article 32. Remedies

1. The following actions may be filed against acts of unfair competition, including unlawful advertising:

> 1. Declarative action for unfairness.
>
> 2. Action for the cessation of the unfair conduct or for the prohibition of the future reiteration thereof. In addition, the prohibition action may be filed if the conduct has still not been performed.
>
> 3. Action for the removal of the effects produced by the unfair conduct.
>
> 4. Action to rectify misleading, incorrect or false information.
>
> 5. Action for the compensation of the damage caused by the unfair conduct, if the perpetrator has acted with *mens rea* or negligence.
>
> 6. Action for unfair enrichment, which only applies when the unfair conduct damages a legal position protected by an exclusive right or any other such economic right.

2. In the judgments allowing the actions provided for in the previous sections 1 to 4, if the Court deems appropriate and at the defendant's expense, the Court may agree to the publication, in whole or in part, of the judgment or, if the effects of the infringement could endure over a long period of time, a declaration of rectification.

Article 35. Statute of limitations

The unfair competition actions provided for in Article 32 prescribe after one year elapses from the date on which they can be filed and the person entitled to file them discovered the person who performed the unfair competition act and, in any case, after three years elapse from the date on which the conduct ends.

The prescription of actions in defence of consumers and users' general, collective or common interests, is governed by the provisions of Article 56 of the Codifying Legislation of the General Law for Consumer and User Defence and other complementary laws.

<u>Law 1/2000, of 7 January, on Civil Procedure</u>

Article 394. Awarding costs at first instance

1. In declarative actions, the costs incurred at first instance shall be awarded against the party whose claims have been set aside in their entirety, unless the Court finds, and duly reasons, that there are serious *de facto* or *de jure* doubts in the case.

In order to find, for the purposes of awarding costs, that the case was legally doubtful the case law established in similar cases shall be taken into account.

2. If the claims are allowed or set aside in part, each party shall pay the costs incurred at its own request and half of the common costs, unless there are grounds for awarding them against one of the parties for having litigated recklessly.

3. When, applying the provisions of section 1 of this Article, the costs are awarded against the defeated litigant party, such party shall only be under the obligation to pay, of the part corresponding to the lawyers and other professionals which are not subject to a rate or fee scale, a total amount not exceeding one third of the quantum of the proceedings, for each one of the litigant parties that obtained such pronouncement; to that end, inestimable claims shall be assessed at €18,000, unless, due to the complexity of the case, the Court rules otherwise.

The provisions of the previous paragraph shall not apply when the Court declares that the litigant party against which the costs have been awarded acted recklessly.

When the party against which the costs have been awarded is entitled to legal aid, such party shall only be under the obligation to pay the costs derived from defending the other party in the cases expressly stipulated in the Law on Legal Aid.

4. Under no circumstances shall the costs be awarded against the Public Prosecutor's office in proceedings in which it intervenes as a party.

Article 243. Assessing costs

1. In all types of proceedings and instances, the costs shall be assessed by the Court Clerk who heard the proceedings or appeal, respectively, or, if appropriate, by the Court Clerk commissioned with the enforcement thereof.

2. The fees corresponding to documents and actions that are useless, superfluous or not authorized by Law, or the headings of fee notes that are not set out in detail or which refer to fees not accrued in the lawsuit, shall not be included in the assessment.

Nor shall Court Procurator's fees accrued for mere optional activities, which could otherwise have been performed by the Court offices, be included in the assessment of the costs.

The Court Clerk shall reduce the amount of the lawyers' and other professionals' fees that are not subject to a rate or fee scale, when the fees claimed exceed the limit referred to in Article 394.3 and the litigant party against which the costs have been awarded has not been declared reckless.

3. Nor shall the assessment include the costs for actions or preliminary issues expressly awarded against the party favoured by the pronouncement on costs in the main proceedings.

<u>Ley 3/1991, de 10 de enero, de Competencia Desleal</u>

Artículo 6. Actos de confusión

Se considera desleal todo comportamiento que resulte idóneo para crear confusión con la actividad, las prestaciones o el establecimiento ajenos.

El riesgo de asociación por parte de los consumidores respecto de la procedencia de la prestación es suficiente para fundamentar la deslealtad de una práctica.

Artículo 11. Actos de imitación

1. La imitación de prestaciones e iniciativas empresariales o profesionales ajenas es libre, salvo que estén amparadas por un derecho de exclusiva reconocido por la Ley.

2. No obstante, la imitación de prestaciones de un tercero se reputará desleal cuando resulte idónea para generar la asociación por parte de los consumidores respecto a la prestación o comporte un aprovechamiento indebido de la reputación o el esfuerzo ajeno.

La inevitabilidad de los indicados riesgos de asociación o de aprovechamiento de la reputación ajena excluye la deslealtad de la práctica.

3. Asimismo, tendrá la consideración de desleal la imitación sistemática de las prestaciones e iniciativas empresariales o profesionales de un competidor cuando dicha estrategia se halle directamente encaminada a impedir u obstaculizar su afirmación en el mercado y exceda de lo que, según las circunstancias, pueda reputarse una respuesta natural del mercado.

Artículo 12. Explotación de la reputación ajena

Se considera desleal el aprovechamiento indebido, en beneficio propio o ajeno, de las ventajas de la reputación industrial, comercial o profesional adquirida por otro en el mercado.

En particular, se reputa desleal el empleo de signos distintivos ajenos o de denominaciones de origen falsas acompañados de la indicación acerca de la verdadera procedencia del producto o de expresiones tales como «modelo», «sistema», «tipo», «clase» y similares.

Artículo 25. Prácticas engañosas por confusión

Se reputa desleal por engañoso promocionar un bien o servicio similar al comercializado por un determinado empresario o profesional para inducir de manera deliberada al consumidor o usuario a creer que el bien o servicio procede de este empresario o profesional, no siendo cierto.

Artículo 32 Acciones

1. Contra los actos de competencia desleal, incluida la publicidad ilícita, podrán ejercitarse las siguientes acciones:

1ª Acción declarativa de deslealtad.

2ª Acción de cesación de la conducta desleal o de prohibición de su reiteración futura. Asimismo, podrá ejercerse la acción de prohibición, si la conducta todavía no se ha puesto en práctica.

3ª Acción de remoción de los efectos producidos por la conducta desleal.

4ª Acción de rectificación de las informaciones engañosas, incorrectas o falsas.

5ª Acción de resarcimiento de los daños y perjuicios ocasionados por la conducta desleal, si ha intervenido dolo o culpa del agente.

6ª Acción de enriquecimiento injusto, que sólo procederá cuando la conducta desleal lesione una posición jurídica amparada por un derecho de exclusiva u otra de análogo contenido económico.

2. En las sentencias estimatorias de las acciones previstas en el apartado anterior, números 1ª a 4ª, el tribunal, si lo estima procedente, y con cargo al demandado, podrá acordar la publicación total o parcial de la sentencia o, cuando los efectos de la infracción puedan mantenerse a lo largo del tiempo, una declaración rectificadora.

Artículo 35. Prescripción

Las acciones de competencia desleal previstas en el artículo 32 prescriben por el transcurso de un año desde el momento en que pudieron ejercitarse y el legitimado tuvo conocimiento de la persona que realizó el acto de competencia desleal; y, en cualquier caso, por el transcurso de tres años desde el momento de la finalización de la conducta.

La prescripción de las acciones en defensa de los intereses generales, colectivos o difusos, de los consumidores y usuarios, se rige por lo dispuesto en el artículo 56 del Texto Refundido de la Ley General para la Defensa de los Consumidores y Usuarios y otras leyes complementarias.

Ley 1/2000, de 7 de enero, de Enjuiciamiento Civil

Artículo 394. Condena en las costas de la primera instancia

1. En los procesos declarativos, las costas de la primera instancia se impondrán a la parte que haya visto rechazadas todas sus pretensiones, salvo que el tribunal aprecie, y así lo razone, que el caso presentaba serias dudas de hecho o de derecho.

Para apreciar, a efectos de condena en costas, que el caso era jurídicamente dudoso se tendrá en cuenta la jurisprudencia recaída en casos similares.

2. Si fuere parcial la estimación o desestimación de las pretensiones, cada parte abonará las costas causadas a su instancia y las comunes por mitad, a no ser que hubiere méritos para imponerlas a una de ellas por haber litigado con temeridad.

3. Cuando, en aplicación de lo dispuesto en el apartado 1 de este artículo, se impusieren las costas al litigante vencido, éste sólo estará obligado a pagar, de la parte que corresponda a los abogados y demás profesionales que no estén sujetos a tarifa o arancel, una cantidad total que no exceda de la tercera parte de la cuantía del proceso, por cada uno de los litigantes que hubieren obtenido tal pronunciamiento; a estos solos efectos, las pretensiones inestimables se valorarán en 18.000 euros, salvo que, en razón de la complejidad del asunto, el tribunal disponga otra cosa.

No se aplicará lo dispuesto en el párrafo anterior cuando el tribunal declare la temeridad del litigante condenado en costas.

Cuando el condenado en costas sea titular del derecho de asistencia jurídica gratuita, éste únicamente estará obligado a pagar las costas causadas en defensa de la parte contraria en los casos expresamente señalados en la Ley de Asistencia Jurídica Gratuita.

4. En ningún caso se impondrán las costas al Ministerio Fiscal en los procesos en que intervenga como parte.

Artículo 243. Práctica de la tasación de costas

1. En todo tipo de procesos e instancias, la tasación de costas se practicará por el Secretario del Tribunal que hubiera conocido del proceso o recurso, respectivamente, o, en su caso, por el Secretario judicial encargado de la ejecución.

2. No se incluirán en la tasación los derechos correspondientes a escritos y actuaciones que sean inútiles, superfluas o no autorizadas por la Ley, ni las partidas de las minutas que no se expresen detalladamente o que se refieran a honorarios que no se hayan devengado en el pleito.

Tampoco serán incluidas en la tasación de costas los derechos de los procuradores devengados por actuaciones meramente facultativas, que hubieran podido ser practicadas en otro caso por las Oficinas judiciales.

El Secretario judicial reducirá el importe de los honorarios de los abogados y demás profesionales que no estén sujetos a tarifa o arancel, cuando los reclamados excedan del límite a que se refiere el apartado 3 del artículo 394 y no se hubiese declarado la temeridad del litigante condenado en costas.

3. Tampoco se incluirán las costas de actuaciones o incidentes en que hubiese sido condenada expresamente la parte favorecida por el pronunciamiento sobre costas en el asunto principal.

Annex 1

MDRLIB01/MDRIL/120969.2

PRET A MANGER
DELINA`S
Kinder
SORPRESA
MIEL
GRANJA
San Francisco
Luna de Miel
CALIDAD 100% NATURAL
Actimel
Lactive

SWEDEN

1. What difficulties have plaintiffs encountered in attacking look-alikes?

If the plaintiff's product or packaging is not protected by trademark, design or copyright law, the look-alike will have to be attacked under the Marketing Act.

The main difficulty under the Marketing Act is for the plaintiff to show that their product or packaging is known and distinctive, which is required under Article 14 (misleading copies), Article 10 (misleading representations regarding the products' origin) and Article 5 (violation of good marketing practice, e.g. taking unfair advantage of another company's reputation). In order to show that a product/packaging is a misleading copy under Article 14, the plaintiff must show that there is a risk for confusion amongst the consumers. This is of course more difficult to prove when the product is targeted towards a more well-informed customer group than the public in general. The risk of confusion primarily concerns the commercial origin of the product.

2. Please provide a list of leading case-law, together with an indication of the relevant issues dealt with.

MD 1990:3

The Market Court stated that a certain colour cannot in itself provide distinctiveness to a product or packaging.

MD 1996:1

The Market Court concluded that the risk of confusion must be assessed based on the overall impression that the products create, and to what extent the copy creates essentially the same memory image to the average consumer. In self-service stores, the overall impression provided by the form and colour of the product/packaging when glanced at quickly should be decisive.

MD 2005:12

The Market Court found that a packaging (in this case a snuff packaging) that consists of only functional components can still possess distinctiveness if the components as a whole create a distinctive impression. What is especially interesting in this case is that it concerned an entire marketing concept. The plaintiff had four snuff boxes for different kinds of snuff. The four boxes varied somewhat in colours and text, but were all part of the same "concept". The defendant also had four different snuff boxes that varied in colour and text, but together were part of an overall concept. The plaintiff was able to show that their boxes were known and distinctive, and that the marketing of the defendant's boxes entailed a risk of confusion amongst the consumers.

MD 2010:3

The Market Court concluded that a first aid board was both distinctive and known (it had been dominating the market for almost 30 years). However, the Market Court found,

somewhat surprising, that there was no risk of confusion although the boards were both green and white and shared several similar elements. The fact that the customer group was considered to be well informed may have been one of the decisive factors. Nor did the Market Court find that the marketing of the defendant's first aid board was taking unfair advantage of the plaintiff's reputation. Even when there is no risk of confusion, the Market Court has found in other cases that the marketing of a product was taking unfair advantage of another company's reputation, and that it was thus in violation of Article 5 of the Marketing Act. The taking of unfair advantage of another company's reputation typically damages the other company, and deteriorates the consumers' market overview.

MD 2010:27

The Market Court found that the plaintiff had not proved that their stain remover packaging was known, and therefore the marketing of the defendant's stain remover packaging did not violate Article 14, 10 or 5 in the Marketing Act. The plaintiff also claimed that the plaintiff's packaging was in violation of paragraph 13 in Annex 1 of the Directive 2005/29/EG, which was made part of the Swedish Marketing Act in 2008. There is no explicit requirement in paragraph 13 that the original product or packaging must be known or distinctive. However, the Market Court referred to the preparatory work for the Marketing Act, which stipulates that the product must be distinctive. Further, the Market Court stated that since Annex 1 concerns *misleading* commercial practises, there is an implied requirement that the original product is known.

3. **Do any procedural or legal barriers exist in your Member State which prevent or deter businesses from bringing actions against parasitic copies? Are the costs of taking action recoverable from the defendant if the action is successful?**

The plaintiff is often desirous to claim preliminary injunction against the defendant. However, the plaintiffs are often deterred from this since they will have to compensate the defendant for damages suffered in case the plaintiff is successful in their preliminary injunction claim, but in the end loses the case. Further, preliminary injunctions require a bank guarantee from the plaintiff.

Litigation costs are recoverable from the defendant if the action is successful. If the action is not successful however, the plaintiff will have to pay the defendant's litigation costs.

To the best of our knowledge, there are no other specific legal or procedural barriers.

Answers should also be provided for the questions set below (4 to 9)

For such purpose, parasitic copying refers to situations where a product is offered for sale in a packaging which resembles an already existing branded product, influencing consumer behaviour to its benefit, without infringing any intellectual property rights such as trade marks, design rights or copyright. More precisely, parasitic copying will be examined on the basis of the following hypothetical scenario:

The previously established branded product will be referred to as "product A", and it belongs to a range of products marketed by undertaking A under trade mark A.

Product A is a mass consumption product bought in supermarkets, such as a detergent. Trade mark A is a well established brand, probably a market leader. Product A has been introduced in the market very recently and it has been particularly well received by consumers on the basis of its novelty, its efficiency claims and the selling power of trade

mark A. Product A represents a new line claiming to incorporate the results on innovation efforts, by virtue of for example a new compound. Product A is sold at premium price.

The parasitic copying product will be referred to as "product B", or, simply the look-alike. Product B has a commercial origin different from that of product A. Product B claims to have the same new features of product A, by use of the same or similar compound. Product B is sold at a lower price than product A. Product B does not copy trade mark A, but the similarities in a substantial number of other aspects are blatant. From a distance the products can hardly be distinguished, by reasons of the shape of the packaging, its colours and some of the graphic arrangements. Product B is not a fake; it complies with all the industry standards and does not deceive consumers in any aspect related to its specifications.

Reference may be made to "Product C" which will be understood as another competing product, having a commercial origin different from those of products A and B, and which, as product B, claims to have caught up with the industry's latest developments and it is also sold at a cheaper price than A. Unlike product B however, product C uses its own distinctive trade mark and presentational features, thus without copying any of the presentational features of product A.

Similarities featured by products A and B are of such nature that they are likely to have one or more of the following effects on at least part of the relevant consumers:

Effect 1 - At least some of the consumers who purchase product B do so on the assumption that they are purchasing product A (even if they may realise after purchase that this is not the case);

Effect 2 - At least some of the consumers who purchase product B do so on the assumption that products A and B have the same commercial origin, or come from economically linked undertakings (even if they may realise after purchase that this is not the case);

Effect 3 - At least some of the consumers who purchase product B do so on the assumption that products A and B, having different commercial origins, are substitutes, being identical or highly similar in their specifications, nature and quality. As a result, price becomes the sole or main criterion under which the choice between the two products is to be made.

Questions:

4. Can undertaking A take legal action against the presence of product B in the market? Please indicate the relevant legal provisions.

Yes, undertaking A can take legal action against the presence of product B in the market. The relevant legal provisions under the Marketing Act would be Article 14 and 8 (misleading copies), Article 8 and paragraph 13 in Annex 1 (unfair marketing through misleading commercial behaviour), Article 10 and 8 (misleading representations regarding the products' origin) and Article 5 and 6 (violation of good marketing practice, e.g. taking unfair advantage of another company's reputation).

5. What elements must be established before the court by undertaking A in order to succeed?

Article 14 and 8: Undertaking A has to show that product A is known and distinctive (thus not merely functional) on the relevant market, and that there is a risk of confusion. In practice, extensive market researches may have to be conducted in order to successfully

prove that product A is in fact known. Further, the plaintiff must show that the marketing is unfair, namely that it affects the recipient's ability to make a well-founded transaction decision. This is usually not a problem if the other criteria have been proven.

Article 8 and paragraph 13 in Annex 1: Undertaking A has to show that undertaking B has promoted a product similar to product A in such a manner as deliberately to mislead the consumer into believing that product B is made by undertaking A. Since this is a provision of misleading commercial behaviour, there is an implied requirement on undertaking A to show that product A is both distinct and known on the market.

Article 10 and 8: Undertaking A has to prove that undertaking B has made a representation that is misleading with respect to the origin of product B. Further, the plaintiff must show that the marketing is unfair, namely that it affects the recipient's ability to make a well-founded transaction decision. This is usually not a problem if the other criteria have been proven.

Article 5 and 6: In order to prove that undertaking AB is taking unfair advantage of undertaking A's reputation, undertaking A has to prove that product A is known (i.e. that they are associated with undertaking A by the relevant consumer group). They must also show that undertaking B's marketing is associating with undertaking A in such a way that Undertaking B can be considered to be taking advantage of undertaking A's reputation for its own economic benefit. Undertaking A shall show that undertaking B's behaviour is typically damaging to undertaking A, and that it typically deteriorates the consumers' market overview. Undertaking A shall also show that the marketing is unfair, namely that it appreciably affects or probably affects the recipient's ability to make a well-founded transaction decision. Article 5 and 6 would primarily be relevant in case of Effect 3 above (i.e. there is not a risk of confusion, only association).

6. Can the above mentioned cause of action be combined in one legal action based on trade mark, design or copyright infringement, if the look-alike product infringes one of such rights?

No.

7. What remedies would be typically awarded if undertaking A were to succeed? Are they cumulative or elective?

The remedy typically awarded if undertaking A were to succeed is a prohibition for undertaking B to continue with its marketing of product B (see Article 23). The prohibition will be subject to a conditional financial penalty under Article 26, unless there are particular grounds rendering this unnecessary (however there is nothing in this case indicating that such grounds exist).

Undertaking A has to initiate proceedings for a prohibition and financial penalty in the Market Court (see Article 47). However, if undertaking A also institutes concurrent proceedings concerning a market disruption charge under Article 29 or damages under Article 37, the proceedings regarding the prohibition shall be made in the Stockholm District Court.

Undertaking B may be ordered to pay a special market disruption charge if undertaking B has intentionally or negligently violated Article 8, 10 or 14, or Annex 1 (see Article 29). Proceedings in respect of a market disruption charge under Article 29 shall be instituted at Stockholm District Court by the Consumer Ombudsman. If the Consumer Ombudsman decides not to commence proceedings for the imposition of a market disruption charge, undertaking B may institute such a proceeding.

If undertaking B intentionally or negligently violates the prohibition issued by the Court, or violates Article 8, 10 or 14, or Annex 1, undertaking B shall according to Article 37 compensate undertaking A for any damage arising from the violation. Proceedings in respect of damages shall be instituted at Stockholm District Court (or at a district court that is competent under Chapter 10 of the Swedish Code of Judicial procedure.

The remedies are cumulative.

8. If undertaking A were to fail, would it face any sanctions from the court or would there be any other consequences as a result of the loss of the action?

If undertaking A were to fail it would be obligated to compensate undertaking B for its' litigation costs.

9. Please examine the following images. How would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B? For the purposes of this question, you should exclude trade marks, designs and copyright law from your advice.

In the following, we have assumed that product A is known in the relevant market.

Example 1

We would be hesitant to advise the proprietor of product A to take action against product B since the design of product A would likely be considered to have low distinctiveness, and although product B features several similarities such as the shape of the bottle and the colours of the screw cork and the label, the label of product B also features significant differences. The typo is different, and there are more elements included in label B. We assess that the Market Court would be likely not to find the overall impression of product A and B to be similar enough that there is a risk of confusion among the customers under Article 14 in the Marketing Act. This could however also be affected by how well known product A is, and how other vinegar bottles on the market are designed. If product A is well known and has been on the market for a long time, then the Market Court may find that product B is taking unfair advantage of product A's reputation under Article 5 in the Marketing Act, even though there might not be a risk of confusion.

Example 2

This is not a clear cut case, and we would probably not advise the client to take action against product B. The yellow colour of the packaging would be considered purely functional for butter, and the shape of the packaging are different. The main similarity is the use of blue "wavy" letters that take up most of the packaging. As in example A above, the distinctiveness of product A would probably be considered to be low, and the Market Court may not find that the packaging are similar enough for proving that there is a risk of confusion under Article 14 in the Marketing Act. However, depending on whether product A was well known on the market, the Market Court may find that product B is taking unfair advantage of product A's reputation under Article 5 in the Marketing Act, even though there might not be a risk of confusion.

Example 3

The shape of the packaging may be functional, and using a cow on a packaging for cheese may not be very original. However, the composition of the pictures are strikingly similar, with the head of the red cow with white horns and nose, the blue sky and green grass, and the mark depicted on top of the picture. The composition of the elements in product A gives it a level of distinctiveness, and the design of the pictures in product A

and B provides an overall impression that would likely be sufficient to prove risk of confusion among the consumers. Based on this, we would advice the proprietor of product A to take action against product B under Article 14 in the Marketing Act.

Example 4

These products are identical except for the colour of the handle and the bottle. The designs of the bottles are functional and common on the market. The labels are however nearly identical; the same wording, typo and trademark is used for both products. The products have the same overall impression leading to risk of confusion among the customers, and Product B would therefore most likely be considered to be a misleading copy under Article 14 in the Marketing Act. Paragraph 13 in Annex 1 would probably also be applicable. Further, the use of the words ECOVER and identical images would most likely be considered to be misleading regarding product B's origin under Article 10 in the Marketing Act. We would definitely advise the proprietor to take action against product B.

Utterly Butterly
St Ivel
70% LESS SATURATED FAT THAN BUTTER
HEAVENLY BUTTERY
HEAVENLY BUTTERY
500g℮
A
B

8
PORTIONS
The Laughing Cow
GOOD SOURCE OF CALCIUM
Superbly smooth cheese spread
TENERY
24 x
400g℮
A
B

ECOLOGICAL
LIMESCALE REMOVER
ECOVER
POWERFUL DESCALING
TESCO
naturally...
bathroom cleaner
ECOLOGICAL
MULTI SURFACE
CLEANER
ECOVER
SPARKLING RESULTS
TESCO
naturally...
kitchen cleaner
A
B

UK

1. What difficulties have plaintiffs encountered in attacking look-alikes?

The principal difficulty with challenging look-alikes arises where such look-alikes neither cause confusion amongst the public, nor can be said to be in any way misleading as to the origin of the relevant product. Consider, for example, a scenario whereby the content and packaging of a product is designed with another product in mind, and is plainly marketed as an imitation of that other product. In the context of trade mark law, for example, the existing statutory tests of likelihood of confusion, unfair advantage or detriment, are of limited assistance for rights holders faced with look-alike products.

However, recent case-law (discussed below in Question 2) at CJEU level has forced the UK courts to expand the scope of protection afforded by the established legislative framework, to look-alikes which are clearly marketed and labelled as such, ie. in instances where there is no likely or actual confusion, misleading of the consumer, or advantage which can be considered "unfair". So far, there have not been very many cases on this point and it is fair to say that it remains a developing area of law, and one which attracts polarised views. Brand owners would say that they do not seek redress where there is no confusion (whether as to origin of a product and/or over quality or equivalence)or where consumers are not misled or whether there is no unfair advantage.

However, the classic position in UK law is that there is no property in a share of the market and as a result, the courts are unwilling to protect such a market share unless the competitor actively confuses the public or is misleading about the origin of the product. If a look-alike bottle of washing-up liquid does not confuse the public but does take advantage of the public perception of what a "typical" market-leading bottle of washing-up liquid should look like, then where's the harm? Without intervention from Parliament, this attitude has historically limited the willingness of the courts to interfere in what is otherwise seen as healthy competition. Certainly, the courts have been unwilling to widen the scope of passing off into what is perceived as a *de facto* tort of unfair competition.[2] Jacob LJ's trenchant criticisms of the CJEU's decision in *L'Oréal v Bellure*[3] can be viewed in that light.

2. Please provide a list of leading case-law, together with an indication of the relevant issues dealt with.

Jif Lemon remains the leading case in the arena of passing off, laying down the "classic trinity" of requirements (as to which see the UK response to Phase 1A, Question 4.2). The later ***Advocat*** case (also discussed in the UK response to Phase 1A, Question 4.2) set out an extended form of test which is sometimes used in place of the classic three-pronged test in *Jif Lemon*.

The ***Penguin v Puffin***[4] case is a good example of a case where a look-alike product was not considered sufficiently similar to amount to trade mark infringement, but was nonetheless successfully challenged on passing off grounds. The claimant, United Biscuits, brought a trade mark infringement and passing off action against Asda for its "Puffin" chocolate biscuits, which it alleged were look-alikes of its "Penguin" biscuits. While the judge was not persuaded that use of the sign "Puffin" infringed the word mark "Penguin", he found for the claimant on the passing off claim in recognition of the

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2 See, in particular, the Court of Appeal in *L'Oréal v Bellure* [2007] EWCA Civ 968.

3 Jacob LJ, in particular at paragraphs 141 and 161.

4 *United Biscuits (UK) Limited v Asda Stores Limited* (Chancery Division, 18th March, 1997) per Robert Walker J.

significance of brands and of the central importance of consumer confidence that the brand is a guarantee of consistent quality to the notion of brand loyalty.

The ***Vodkat***[5] case is a recent decision of note relating to "extended" passing off, meaning where a description, or confusingly similar term, is used in respect of goods which do not relate to that description. In this case, Intercontinental Brands had named its product, which was a 22.5% alcohol by volume product containing a mixture of vodka and fermented alcohol, "Vodkat". Diageo successfully argued that the erroneous implication of the brand name "Vodkat" that the product was vodka, which, given that vodka is a regulated class of product defined by its properties (being 100% distilled alcohol and at least 37.5% alcohol by volume), it was not, amounted to extended passing off of the general class of vodka products. The *Vodkat* decision is the latest of several extended passing off cases, which have in the past prevented use of certain terms including "Spanish champagne"[6] and "champagne cider"[7] for products which were not from the region of Champagne, "sherry"[8] for a product which was not from sherry from Jerez, and "old English advocaat"[9] for a product which was not advocaat.

Historically, the weakness from the claimant's perspective of bringing a passing off action is that evidentially it can be difficult to prove all of the elements of the tort.

L'Oréal v Bellure[10] is a recent "look-alike" (or more accurately, "smell-alike") case, though in a trade mark infringement context. Judgment was handed down by Jacob LJ in the Court of Appeal on 18 June 2010 following the CJEU's final judgment on 21 May 2010. The CJEU held that product packaging would infringe if it were designed to mimic another product with the aim of gaining a commercial advantage, even if consumers were not misled into believing that the infringing goods originated from the proprietor of the earlier trade-marked product. Jacob LJ criticised the CJEU's approach as removing the qualification of "unfair" from "advantage", and preventing Bellure from telling the truth about its lawfully-sold perfumes, namely that they smelled like L'Oréal's perfumes. He noted the irony that it was not an infringement for Bellure to sell perfumes which smelled like trade-marked products, but it was an infringement for Bellure to say that this is what it was doing.

It remains to be seen how this decision will be applied in future trade mark infringement cases where goods are marketed as "imitations" of goods protected by trade mark rights, or whether each case will turn on its own particular facts. Certainly, the courts to date have felt free to reject relief in look-alike cases where they feel that the distinctive character or repute of an earlier mark is unaffected, even though sales of the original product dropped during the same period and there was some evidence that the look-alike product was deliberately intended to resemble the original product.

In the ***Whirlpool*** case,[11] Kenwood made a kitchen mixer which looked very similar to the KitchenAid Artisan mixer made by Whirlpool, which was the subject of a shape mark. In the Court of Appeal, in a judgment handed down after the CJEU decision in L'Oréal v Bellure, the court held that the distinctive character or repute of earlier mark could be unaffected even where its market share is eroded since this must happen where there is fair and lawful competition. Seeing one product and being reminded of another was not enough to amount to detriment or unfair advantage because an awareness of the general

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5 *Diageo v Intercontinental Brands* [2010] EWHC 17 (Ch).

6 *Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262.

7 *H.P. Bulmer Ltd v J. Bollinger SA* [1978] RPC 79.

8 *Vine Products Ltd v Mackenzie & Co Ltd* [1969] RPC 1.

9 *Erven Warnink BV v J. Townend & Sons Ltd* [1979] AC 731.

10 *L'Oréal SA Lancome Parfums et Beaute & CIE, Laboratoire Garnier & CIE v Bellure NV, Malaika Investments Ltd (t/a Honeypot Cosmetic & Perfumery Sales), Starion International Ltd* [2010] EWCA Civ 535.

11 *Whirlpool Corporation & Ors. v Kenwood Ltd* [2009] EWCA Civ 753.

market conditions for this type of product and a knowledge of the presence of the KitchenAid Artisan mixer did not constitute sufficient intention on Kenwood's part to take an unfair advantage of the distinctive character or repute of the Whirlpool mark.

As this case demonstrates, in a UK action against a look-alike much will depend on the strength of the evidence available to the claimant if it wishes to take action. Whilst the UK lacks a law of unfair competition and the courts continue to show a strong disinclination to extend the boundaries of the law of passing off to encompass it,[12] it remains the strongest cause of action available to rights owners wishing to prevent look-alikes where there is no chance of proving confusion.

3. Do any procedural or legal barriers exist in your Member State which prevent or deter businesses from bringing actions against parasitic copies? Are the costs of taking action recoverable from the defendant if the action is successful?

Other than the fact that there are no legislative provisions in the UK which specifically protect against parasitic copying or provide a *sui generis* cause of action for a claimant claiming parasitic copying (as to which see the UK response to Phase 1A, in particular Questions 1 and 3), there are no particular procedural or legal barriers preventing or deterring actions for parasitic copying in the UK.

Costs are recoverable from an unsuccessful defendant; however, this is subject to a general threshold habitually imposed by UK courts which limits recoverable costs to around 60-70% of the total costs incurred by the claimant.

Answers should also be provided for the questions set below (4 to 9)

For such purpose, parasitic copying refers to situations where a product is offered for sale in packaging which resembles an already existing branded product, influencing consumer behaviour to its benefit, without infringing any intellectual property rights such as trade marks, design rights or copyright. More precisely, parasitic copying will be examined on the basis of the following hypothetical scenario:

The previously established branded product will be referred to as "product A", and it belongs to a range of products marketed by undertaking A under trade mark A.

Product A is a mass consumption product bought in supermarkets, such as a detergent. Trade mark A is a well established brand, probably a market leader. Product A has been introduced in the market very recently and it has been particularly well received by consumers on the basis of its novelty, its efficiency claims and the selling power of trade mark A. Product A represents a new line claiming to incorporate the results on innovation efforts, by virtue of for example a new compound. Product A is sold at premium price.

The parasitic copying product will be referred to as "product B", or, simply the look-alike. Product B has a commercial origin different from that of product A. Product B claims to have the same new features of product A, by use of the same or similar compound. Product B is sold at a lower price than product A. Product B does not copy trade mark A, but the similarities in a substantial number of other aspects are blatant. From a distance the products can hardly be distinguished, by reasons of the shape of the packaging, its colours and some of the graphic arrangements. Product B is not a fake; it complies with all the industry standards and does not deceive consumers in any aspect related to its specifications.

Reference may be made to "Product C" which will be understood as another competing product, having a commercial origin different from those of products A and B, and which, as product B, claims to have caught up with the industry's latest developments and it is also sold at a cheaper

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[12] See the comments of Lewison J at first instance in *L'Oréal v. Bellure* [2006] EWHC 2355 (Ch).

price than A. Unlike product B however, product C uses its own distinctive trade mark and presentational features, thus without copying any of the presentational features of product A.

Similarities featured by products A and B are of such nature that they are likely to have one or more of the following effects on at least part of the relevant consumers:

Effect 1 - At least some of the consumers who purchase product B do so on the assumption that they are purchasing product A (even if they may realise after purchase that this is not the case);

Effect 2 - At least some of the consumers who purchase product B do so on the assumption that products A and B have the same commercial origin, or come from economically linked undertakings (even if they may realise after purchase that this is not the case);

Effect 3 - At least some of the consumers who purchase product B do so on the assumption that products A and B, having different commercial origins, are substitutes, being identical or highly similar in their specifications, nature and quality.[13] As a result, price becomes the sole or main criterion under which the choice between the two products is to be made.

Questions:

4. Can undertaking A take legal action against the presence of product B in the market? Please indicate the relevant legal provisions.

Please see the UK response to Phase 1A, Question 3.

5. What elements must be established before the court by undertaking A in order to succeed?

Please see the UK response to Phase 1A, Question 4.

6. Can the above mentioned cause of action be combined in one legal action based on trade mark, design or copyright infringement, if the look-alike product infringes one of such rights?

Yes, please see the UK response to Phase 1A, Question 4.

7. What remedies would be typically awarded if undertaking A were to succeed? Are they cumulative or elective?

Please see the UK response to Phase 1B, Questions 1 and 2.

8. If undertaking A were to fail, would it face any sanctions from the court or would there be any other consequences as a result of the loss of the action?

Adverse costs consequences are the most obvious ramifications for losing the action.

In the UK, there are also provisions in patent, trade mark and design law protecting against groundless threats. The aim of the groundless threats regime is to prevent rights owners from abusing their monopolies by threatening infringement proceedings without good cause.

What amounts to a threat is tested objectively, based on whether the communication would be understood by the ordinary recipient as being a threat to bring infringement proceedings in the UK.[14] A threat may be made orally or in writing, and can be implied as well as express. It is important to note that any person can be liable for making a threat,

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[13] At least some of the consumers who purchase product C, perceiving from the similar packaging that the qualities of Product A are now available at a cheaper price with Product B, may switch to Product B. Were Product B to differ from Product A, which is likely to be the case as they come from different companies, then consumers who switch would have been misled.

[14] *Brain v Ingledew Brown Bennington & Garrett (No.3)* [1997] FSR 511.

whether an individual or company, and including professional advisers issuing a threat on behalf of their clients.

A threats action can be brought by "any person aggrieved" by the threat (ie. not just the person threatened), subject to the requirement to establish that the claimant's interests are, or are likely to be, adversely affected in a real (rather than merely fanciful or minimal) way.

There are some infringing activities which are excluded from the scope of the threats provisions. These activities are set out in the relevant statutes, and vary as between the patents, trade marks and designs regimes, but the overriding purpose of the exclusions is to allow a rights owner to pursue a primary infringer, whilst protecting secondary infringers such as retailers.

Mere notification as to the existence or registration of an intellectual property right does not amount to a threat. Notification is construed narrowly by the courts, so cease and desist letters must be carefully drafted in order to avoid making a threat which could be attacked as unjustified. Of course, it is a defence to show that the threat was in fact justified.

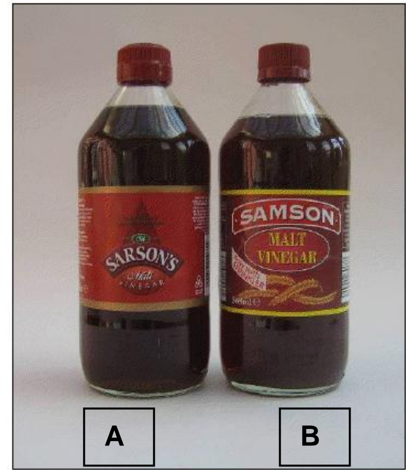
There is no comparable groundless threats framework for common law causes of action such as passing off, so there is less risk in threatening proceedings if a trade mark, patent or design is not being relied upon. The caveat to this is that tortious claims for malicious falsehood or trade libel appear to be increasingly filling the void as *de facto* substitutes for statutory groundless threats actions in a common law context.

9. Please examine the following images. How would you advise the proprietor of product A if it wished to take action in your jurisdiction against product B? For the purposes of this question, you should exclude trade marks, designs and copyright law from your advice.

Given that there are no legislative provisions in the UK which specifically protect against parasitic copying, and excluding the statutory protection afforded by the relevant trade mark, design and copyright law, any advice to the proprietor of product A in each situation below would be on the basis of the common law. There is no tort of unfair competition in the UK, therefore the relevant common law protection mechanism is that of passing off.

For a full explanation of passing off and its associated legal tests, please see the UK response to Phase 1A, Question 4.2.

Applying the "classic form" of passing off for each of the below scenarios:



(a)

The proprietor of product A ("**Proprietor A**") would need to demonstrate, via appropriate evidence, that it had acquired goodwill in its name for vinegar or a broad class of such products.

It would then need to be shown that product B amounted to a misrepresentation by the proprietor of product B ("**Proprietor B**") leading, or likely to lead, the public to believe that product B originated from Proprietor A. Taking into account the closely similar brand names, highly similar colouring and layout of the labels, identical shape of the bottles and identically-coloured screw caps, it is probable that product B was designed with product A in mind. Both products would be commonly found in supermarkets,[15] and in such a context the average consumer would habitually pay a limited degree of attention to the exact name of the product, and instead rely on an overall visual recognition of a product surrounded by other on a shelf. This is especially the case for well-known products bearing unique and distinguishing "get-up" which is widely recognised. Product A being such a product, it is likely that the relevant average consumer would be misled by the highly similar overall impression formed by the "get-up" of product B into believing either "Effect 1" or "Effect "2", thereby satisfying the requirement for a misrepresentation.

The requirement for a misrepresentation would not be satisfied under the scenario given in "Effect 3" above, as if a consumer recognises that product B is a substitute then that consumer cannot be said to have been misled. This is the case regardless of whether Proprietor B intended product B to be confused for product A; if that is not the effect, there can be no misrepresentation.

Assuming that product B amounts to a misrepresentation, the requisite damage to Proprietor A would be plain if consumers were to purchase product B instead of product A, as each purchase of product B would be a lost sale of product A for Proprietor A.

(b)

Proprietor A would need to demonstrate, via appropriate evidence, that it had acquired goodwill in its name for butter or a broad class of such products.

It would then need to be shown that product B amounted to a misrepresentation by Proprietor B leading, or likely to lead, the public to believe that product B originated from Proprietor A.

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[15] It is of course not necessarily the case that the products would be displayed together. Where the branded product and the look-alike are not sold side by side, then consumers are relying the imperfect recollection to identify products, raising the risk of the confusion.

The "get-up" of products A and B is similar, taking into account that the same yellow pantone colour and similar font, layout and colouring of lettering has been used. However, the yellow colour of the tub is arguably an obvious choice of colour for a butter-based product, and whilst the slanted layout and colouring of the lettering is somewhat emulated in product B, a different font and capitalised letters are used. There are no other discernible unique design features on product A which could be said to have been emulated by product B. The brand names "Utterly Butterly" and "HEAVENLY BUTTERY" are in all likelihood not sufficiently similar to mislead the consumer. It is likely that the average consumer looking for product A would not be misled by product B to give rise to either "Effect 1" or "Effect 2", such is the prominence of the brand name "HEAVENLY BUTTERY" on product B.

The requirement for a misrepresentation would not be satisfied under the scenario given in "Effect 3" above, as if a consumer recognises that product B is a substitute then that consumer cannot be said to have been misled. This is the case regardless of whether Proprietor B intended product B to be confused for product A; if that is not the effect, there can be no misrepresentation.

If, although unlikely to be the case here, product B amounts to a misrepresentation, the requisite damage to Proprietor A would be plain if consumers were to purchase product B instead of product A, as each purchase of product B would be a lost sale of product A for Proprietor A.

(c)

Proprietor A would need to demonstrate, via appropriate evidence, that it had acquired goodwill in its name for cheese or a broad class of such products.

It would then need to be shown that product B amounted to a misrepresentation by Proprietor B leading, or likely to lead, the public to believe that product B originated from Proprietor A.

The "get-up" of products A and B is highly similar. The packaging is an identical shape, the same colour combinations are used, the design layout is virtually identical, and an image of a cow (albeit not "laughing" on product B) – which is widely known as being associated with product A - is prominently used. The brand name "TENERY" is of course very different to "The Laughing Cow", but in the context of a highly similar imitation of a famous design the brand name is liable to become "lost" and go unnoticed by the average consumer at the point of sale. It is likely that the average consumer – being a supermarket shopper who habitually pays a limited degree of attention to the exact name of a product which is otherwise visually distinctive – would be misled under either "Effect 1" or "Effect

2" by the highly similar overall impression formed by this design "get-up", thereby amounting to a misrepresentation.

The requirement for a misrepresentation would not be satisfied under the scenario given in "Effect 3" above, as if a consumer recognises that product B is a substitute then that consumer cannot be said to have been misled. This is the case regardless of whether Proprietor B intended product B to be confused for product A; if that is not the effect, there can be no misrepresentation.

Assuming that product B amounts to a misrepresentation, the requisite damage to Proprietor A would be plain if consumers were to purchase product B instead of product A, as each purchase of product B would be a lost sale of product A for Proprietor A.

(d)

Proprietor A would need to demonstrate, via appropriate evidence, that it had acquired goodwill in its name for cleaning or a broad class of such products.

It would then need to be shown that product B amounted to a misrepresentation by Proprietor B leading, or likely to lead, the public to believe that product B originated from Proprietor A.

The "get-up" of products A and B is similar, taking into account that a similar shape and colour of packaging has been chosen by Proprietor B, the green element of the colour scheme is the same or a highly similar pantone colour, and a similar "leaf" design has been used (albeit as a font stylisation of the letter "N" on product B rather than a standalone design as for product A). Viewing product B as a whole, it is arguable that Proprietor B set out to emulate some of the distinguishing characteristics of product A in the design of product B. However, there are some notable differences in the colour elements used, the colours of the spray-head tops of the bottles, and taking into account that the respective brand names "ECOVER" and "naturally" are clearly quite different. Whilst it is plainly arguable that a consumer would view product B as a substitute for product A (ie. "Effect 3" above), the likelihood of such a consumer being misled into believing that product B is in fact product A ("Effect 1") or originates from Proprietor A ("Effect 2") is fairly low, given the subtlety of the similarities.

The requirement for a misrepresentation would not be satisfied under the scenario given in "Effect 3" above, as if a consumer recognises that product B is a substitute then that consumer cannot be said to have been misled. This is the case regardless of whether Proprietor B intended product B to be confused for product A; if that is not the effect, there can be no misrepresentation.

If, although unlikely to be the case here, product B amounts to a misrepresentation, the requisite damage to Proprietor A would be plain if consumers were to purchase product B instead of product A, as each purchase of product B would be a lost sale of product A for Proprietor A.