

**Study on Trade Secrets and Parasitic Copying (Look-alikes)
MARKT/2010/20/D**

**Hogan Lovells Final Report on Parasitic Copying for the European
Commission**

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INTRODUCTION

1. In March 2011, the European Commission appointed Hogan Lovells to carry out a study aimed at providing clarification on the legal framework and practices, in the 27 Member States of the European Union, of trade secret protection as well as protection against parasitic copying (look-alikes) (the "**Study**").
2. The objective of the Study is to carry out an in-depth comparative law assessment of the legal protection against trade secret infringement and parasitic copying in the different Member States, and provide the Commission with an overall view of the legal regimes and practical operation of the systems of law governing these matters throughout the European Union.
3. This report considers the protection available against parasitic copying. (We have presented a separate report regarding the protection available for trade secrets). Our role in carrying out this Study required us to conduct legal analyses of the law relating to parasitic copying across the European Union. As such, our investigations were directed towards establishing whether there were any differences between the approaches taken across Member States and if so, whether they were sufficiently serious to amount to barriers to trade within the internal market. We have accordingly concentrated on examining the existing law and protection against parasitic copies available to rights holders as well as the enforcement options available to rights holders if parasitic copying is proven.
4. We have also not examined or reported on the other issues and factors which may influence whether a rights holder takes action against the producer of a look-alike, and in particular whether a rights holder is willing to sue one of its major customers, such as a supermarket, as this is outside the scope of this Study.
5. In this report and its appendices, we have used the terms "parasitic copy" and "look-alike" interchangeably.

Parasitic copying

6. One of the aims of this Study is to identify whether the current protection available to brand owners to prevent parasitic copying is sufficient to ensure free and effective competition.
7. That protection is sometimes derived from harmonised registered trade mark law, design law or copyright law. Protection may also be granted regardless of whether or not the victims of parasitic copying hold intellectual property rights. In particular, the EC Directive concerning Unfair Business-to-Consumer Commercial Practices in the Internal Market ("**EC Unfair Commercial Practices Directive**")¹ as transposed into the national laws of

¹ 2008/95/EC.

the Member States may also give undertakings which are victims of parasitic copying the right to take legal action against parasitic copiers.²

8. As the right to take action is of little use without a consideration of the availability of appropriate relief from a court, we also considered whether the EC Directive on the Enforcement of Intellectual Property Rights ("**Enforcement Directive**")³ has also improved a plaintiff's chance of taking action against a parasitic copy.
9. Our report addresses these issues.

EXECUTIVE SUMMARY

10. Since the establishment of the internal market in 1993, the legal regime of the Member States of the European Union in respect of registered trade marks and industrial designs has been harmonised in order to support the establishment and maintenance of a system of undistorted competition, as set up by the European Union Treaties.⁴ The creation of unitary community rights was also intended to support a system of undistorted competition within the internal market. Notwithstanding this, the differences in the legal regimes between Member States allow parasitic copying to flourish in some jurisdictions compared to other jurisdictions where it is more easily controlled.
11. There is no harmonised system for the prevention of parasitic copying in the European Union and methods of protection available differ between Member States. All Member States offer some form of protection, even though the scope of this protection differs. We believe that the effectiveness of the protection, and in particular in relation to the applicability of the remedies, varies considerably. Appendix 6 of this report summarises the state of the law in each Member State in relation to parasitic copying.
12. All Member States are subject to the EC Trade Marks Directive which harmonised their existing national registered trade mark laws so that they accorded with the Directive. However, unless there was a direct clash with the Directive their earlier national trade mark laws were not necessarily repealed. This has meant that the historic practices, approaches and tactics that had developed in those Member States as a result of those earlier national trade mark laws and the general requirements of a Member State's civil law still sometimes affect how trade mark infringement actions are approached in those Member States today.
13. It is also worth noting that, as stated in the preamble to the EC Trade Marks Directive, the harmonisation of registered trade mark law undertaken by the Directive did not effect any changes to any national laws relating to unregistered trade marks. This could be one of the reasons why unregistered trade marks are used to provide protection against copycats.
14. In addition to the harmonised EU registered trade mark law which affects all Member States, to varying extents, certain Member States have complementary systems of unfair competition law, or in the case of the Republic of Ireland and the UK,⁵ the common law

² See in particular Article 11 and Annex I, no 13.

³ 2004/48/EC.

⁴ See in particular, Articles 34 to 36 of the Treaty on the Functioning of the European Union (previously Articles 28 to 30 of the Treaty establishing the European Community).

⁵ The mainland UK consists of three different jurisdictions: England and Wales, Scotland and Northern Ireland. Certain laws (including the Consumer Protection from Unfair Trading Regulations (SI 2008 No. 1277) which implemented the EC Unfair Commercial Practices Directive in the UK) apply to the entire UK. The substantive law and statute (including the legal remedies available) dealing with the protection and enforcement of intellectual property rights in England and Wales also apply in Scotland and Northern Ireland. However, Scotland has its own separate and independent legal and court system which reflects the fact that Scotland is a separate legal jurisdiction in its own right and in principle its courts are competent to deal with all types of intellectual property enforcement issues. In relation

tort of passing off. These can also be used to supplement the protection available under trade mark law to take action against parasitic copies.

15. Finally, it is possible in certain Member States to use their unfair commercial practices or consumer protection laws to deal with some aspects of parasitic copies, although the extent to which this is relevant given that parasitic copying is generally perceived as a business-to-business issue, rather than a business-to-consumer issue, clearly affects how useful or effective this approach can be.
16. Even though the protection available in a Member State ought necessarily to be identical in respect of trade mark law, and may (to the extent that those unfair competition laws are derived from the article 10*bis* of the Paris Convention)⁶ share common aspects in respect of unfair competition law, the approaches that are taken to deal with problems common to all Member States such as parasitic copying differ across the EU. The reasons why they differ may depend on how such an issue was historically dealt with in a Member State, either because of how its national law had developed prior to harmonisation or because of requirements of its civil law, or in how EU law has been interpreted.
17. Our investigations have indicated that this has resulted in a variety of approaches being used to target parasitic copying. Some Member States focus on their trade marks laws (or indeed other existing intellectual property laws, such as design law) as offering the best way to deal with parasitic copying either because that is historically how it was approached or because the harmonisation of registered trade mark law offered new and better protections than that Member State had had to date.
18. Others use national unfair competition laws or unfair commercial practices or consumer protection laws even though they are subject to the equivalent trade mark laws which are used against parasitic copies in other Member States. In some cases, it is possible for a trader to bring an action under a variety of different laws either simultaneously in the same court or concurrently in other courts.
19. Whilst the enactment of the EC Unfair Commercial Practices Directive has improved the protection available in relation to parasitic copies in a few countries, this appears to be the exception rather than the rule. The Enforcement Directive does appear to have improved access to certain remedies and relief in some Member States. However, even though the range of remedies is apparently similar, the number of those remedies that may be claimed and the ways in which they are applied may differ between Member States.

AN OVERVIEW OF THE CONDUCT OF THE STUDY

20. Research for the Study included two main elements: direct enquiries of intellectual property lawyers in the 27 Member States of the European Union and a review of literature and other materials written on the subject of parasitic copying.
21. We have conducted two questionnaire-based surveys of the 27 Member States, the first ("**Phase 1A**") of which we reported on in the preliminary report and the second ("**Phase 1B**") of which focused on the implementation into national laws and use of the rights and remedies available in the EC Unfair Commercial Practices Directive.

to parasitic copying however, we do not believe that the law relating to parasitic copying in Scotland and Northern Ireland differs in any significant respect from that in England and Wales. Accordingly, references in this report to the "UK" and to the "United Kingdom" are answered from the perspective of the jurisdiction of England and Wales, and where there are any significant differences between this jurisdiction and those of Scotland and Northern Ireland, this is noted in the body of this report.

⁶ See paragraphs 35 and 36 below.

22. We have also conducted an in-depth case study of respondents in six selected Member States (Bulgaria, Germany, Italy, Spain, Sweden and the UK). We shall report on the second questionnaire and the in-depth case study in this report.⁷
23. We have also completed a literature review and we have also reviewed the materials supplied by the European Commission and have spoken with interest groups.

The questionnaire

24. Questionnaires were sent to intellectual property law practitioners in each Member State to assess the structure and operation of the parasitic copying laws in their respective countries, including relevant aspects of procedure. A list of the practitioners to whom questionnaires were sent is set out at Appendix 1 of this report.
25. Responses were received from every Member State. The general quality of these responses was good, and where necessary we have sought further clarification and amplification of particular responses and we have updated those responses to reflect this.
26. The responses to the Phase 1A questionnaire are set out in Appendix 2. The following areas were addressed:
 - (a) Does the legislation of the Member State provide specific provisions on the protection against parasitic copying?
 - (b) Where so, Member States were asked to provide the text of the relevant provisions and indicate the legal instrument(s) in which these provisions are set. Again the context and field of law for each provision were requested.
 - (c) Where the law of the Member State does not provide specific provisions from the protection against parasitic copying, Member States were asked to indicate the legal provisions that can be used in order to secure protection against parasitic copying, providing the text of the relevant provisions and indicating the legal instrument(s) in which these provisions are set. Again, the context and field of law for each provision were requested.
 - (d) What elements must be established in order to be able to launch successfully a legal action against parasitic copying?
27. The responses have been summarised by Hogan Lovells in tabular form and this table is included in Appendix 3 of this report.
28. The responses to the Phase 1B questionnaire are set out in Appendix 4. The following areas were addressed:
 - (a) What civil remedies are available in an action against parasitic copying?
 - (b) Are the remedies cumulative?
 - (c) Has the enactment of the EC Unfair Commercial Practices Directive and the EC Directive on the Enforcement of Intellectual Property Rights⁸ improved a plaintiff's chances of bringing a successful claim for parasitic copying?

⁷ See paragraph 87 *et seq* below.

⁸ 2004/48/EC

- (d) Who enforces the provisions of the EC Unfair Commercial Practices Directive in your Member State? Has the Directive been enacted in your Member State so as to permit:
- (i) only private enforcement by rights holders;
 - (ii) only enforcement by public authorities and, if so, which ones; or
 - (iii) both private rights holders and public authorities?
- (e) If public authorities are permitted to enforce the EC Unfair Commercial Practices Directive against parasitic copies in your country, do you consider that this is an effective way to prevent the sale of parasitic copies? Are there any examples of such action having been taken?

29. The responses have been summarised by Hogan Lovells in tabular form and this table is included in Appendix 5 of this report.
30. Finally, we have summarised the results of the Phase 1A and Phase 1B questionnaires for each Member State so as to present an overall picture of the law in relation to parasitic copying in each Member State. We have included these summaries at Appendix 6 of this report, together with a chart displaying the relative strengths of the Member States' protection and enforcement against parasitic copies.

Detailed country analysis of six selected Member States

31. We have conducted an in-depth study for the purpose of conducting a detailed country analysis of the application of the law relating to parasitic copying in six Member States ("**Phase 2**"). The six Member States were selected on the following basis.
- (a) UK
England and Wales is the major jurisdiction in the UK and operates a common law rather than civil law system. Significant issues relating to look-alikes arise because of the way in which the common law in this area has developed and in addition the principles of law and procedural rules are different from civil law countries.
 - (b) Germany
Germany is a major civil law jurisdiction and economy within the European Union.
 - (c) Italy
Italy is a challenging jurisdiction within which to litigate and as a southern European Member State was selected to add diversity to the chosen jurisdictions.
 - (d) Sweden
Sweden was selected as it is a Member State with an established legal system which substantially pre-dates its admission to the European Union and is representative of the Scandinavian Member States.
 - (e) Bulgaria
Bulgaria was chosen as a Member State that was only recently admitted to the European Union. It has a developing intellectual property and court system.

32. Although we had originally intended to conduct Phase 2 in the five Member States listed above, we added Spain to that list at the suggestion of AIM⁹ since it is a southern European Member State which has interesting enforcement activity in relation to parasitic copying.
33. The questions in Phase 2 addressed how the rights of action identified in the Phase 1A questionnaire responses are typically used and the benefits and difficulties of enforcing rights or taking action against parasitic copying in these six Member States.
34. Details of the questions asked, including the photographs used,¹⁰ are set out at Appendix 7 and the responses of the respondents are set out in Appendix 8.

The literature review

35. In addition to the questionnaire we have carried out a literature review of written English material from the last five years on parasitic copying, in particular seeking out literature which provides a comparative study in relation to parasitic copying between different jurisdictions. This literature review has been conducted by the Co-ordinators and the Research and Administrative Associate with the assistance of the Hogan Lovells library staff. A summary of the scope of the literature review and the sources used are set out at Appendix 9 to this report and a bibliography of the materials reviewed is set out at Appendix 10.
36. We have also reviewed the materials received from the Commission on 16 March 2011. A list of those materials is set out at Appendix 11.

Meetings with interest groups

37. We have spoken with two of the main organisations representing branded goods industries in Europe on the issue of parasitic copying: the European Brands Association ("**AIM**") and the British Brands Group ("**BBG**").
38. Both AIM and the BBG have submitted materials to us and AIM has also commented on the issues raised in the tender in discussions with us. We have reported on the concerns that they raised, and on the materials that AIM and the BBG have provided as part of the literature review. That said, we have interpreted this Study to be one of research in relation to the current status of the law and we have not encouraged or requested interest groups to "lobby" us in relation to the report and its conclusions.

ANALYSIS OF QUESTIONNAIRE RESPONSES

Basis of objections to parasitic copying

39. As the European Commission has already identified in its letter of invitation to tender for this Study, objections to parasitic copying focus on whether parasitic copies constitute a method or means of unfair competition.
40. To the extent that there is an accepted international basis for establishing laws of unfair competition, it is set out in Article 10*bis* (unfair competition) of the Paris Convention.¹¹ It provides:

⁹ Association des Industries du Marque, the European Brands Association, an organisation of manufacturer brand owners.

¹⁰ These photographs are of alleged look-alike products that have appeared on the market in the UK in recent years and were used with the kind permission of the British Brands Group.

¹¹ Paris Convention for the Protection of Industrial Property (20 March 1883).

- (1) *The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.*
- (2) *Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.*
- (3) *The following in particular shall be prohibited:*
 - (i) *all acts of such a nature as to create confusion by any means whatever with the establishment, the goods, or the industrial or commercial activities, of a competitor;*
 - (ii) *false allegations in the course of trade of such a nature as to discredit the establishment, the goods, or the industrial or commercial activities, of a competitor;*
 - (iii) *indications or allegations the use of which in the course of trade is liable to mislead the public as to the nature, the manufacturing process, the characteristics, the suitability for their purpose, or the quantity, of the goods.*

41. Article 2 of TRIPS¹² requires the Members of the World Trade Organisation (which includes all 27 Member States) to comply with Article 10*bis* of the Paris Convention.¹³ None of the questions that were raised in the parasitic copying questionnaires refer either to Article 2 of TRIPS or to Article 10*bis* of the Paris Convention. Nevertheless it seems clear from some of the answers given by survey respondents that the laws of unfair competition of certain Member States may in part be based on Article 10*bis* of the Paris Convention.

General trends in the prevention of parasitic copying

42. In general, whilst all Member States provide some protection against parasitic copying, the extent to which they do so and the scope of the rights granted and means available to enforce those rights differ between Member States.
43. The majority of Member States provide for protection either through varieties of unfair competition law, some of which expressly deal with parasitic copying, or through unfair commercial practices laws, which are based on the EC Unfair Commercial Practices Directive. We have summarised the general law in relation to each Member State at Appendix 6.
44. Only one Member State does not use either of these forms of protection, namely the UK, which relies on the tort of passing off and on the protection afforded by existing intellectual property rights such as trade marks, registered and unregistered designs and copyright. Although the EC Unfair Commercial Practices Directive has been implemented in the UK as the Consumer Protection from Unfair Trading Regulations 2008,¹⁴ those Regulations do not allow for enforcement by private rights holders. All enforcement pursuant to the EC Unfair Commercial Practices Directive is undertaken by local

¹² Agreement on Trade Related Aspects of Intellectual Property Rights (1869 UNTS 299; 33 ILM 1197 (1994))

¹³ It has been argued that the UK is not compliant with Article 10*bis*, see *Gowers: a glimmer of hope for UK compliance with Article 10bis of the Paris Convention*, European Intellectual Property Review, Morcom, C. (2007).

¹⁴ SI 2008 No. 1277.

regulatory authorities¹⁵ or by the Office of Fair Trading or the Department of Enterprise, Trade and Investment in Northern Ireland.

45. Although the Republic of Ireland also lacks a law of unfair competition and relies on the tort of passing off, it has allowed private rights holders to enforce certain provisions of the EC Unfair Commercial Practices Directive in the equivalent Irish implementing legislation.¹⁶

Sources of Law; Unfair Competition

46. The most popular means cited in the questionnaire responses for preventing parasitic copying was unfair competition law.
47. As a review of the responses to the questionnaire show, although these unfair competition laws often have broadly similar substantive requirements in common, some appear to be directly based on the requirements set out in Article 10*bis* of the Paris Convention.¹⁷
48. The nature of unfair competition laws vary across the European Union, with some being enacted with the intention of regulating competition between traders and others being focused on the effect on consumers. Taking two examples at opposite ends of this spectrum: Germany and the UK; in Germany, whether a consumer is deceived or confused by the existence of the look-alike product is not relevant since the very fact that the look-alike imitates intentionally the original product is actionable. However, in the UK whether a consumer is confused is of paramount importance, otherwise one of the key elements of the tort of passing off (misrepresentation) is not met. It follows therefore that as long as an imitation does not confuse or mislead the public, it is a perfectly legitimate product in the UK.¹⁸
49. A number of Member States make references to activities that fall foul of their unfair competition laws as being those which are "contrary to honest practices" or those which cause confusion or which are liable to mislead the public. These are all elements that are mentioned in Article 10*bis* of the Paris Convention.¹⁹ However, expression of these elements and the degree to which they have been developed by case law and practice in those Member States is not consistent across Member States. As was demonstrated by the results of the Phase 2 survey (see paragraph 87 *et seq* and Appendix 8), this results in inconsistent outcomes when a plaintiff takes action against the same look-alike products across the European Union.
50. It is also apparent that in some Member States unfair competition law has been extensively developed through court decisions such that there is now a sophisticated and elaborate system which in some instances distinguishes between different types of unfair competition. Examples of this would include Belgium, which differentiates between "classic" and "parasitic" unfair competition, France, which also distinguishes between general unfair competition and parasitism and Germany, which has an elaborate and

¹⁵ In the UK, parasitic copies are not seen as a priority of these agencies, see page 41 of "A New Approach to Refreshing the National Enforcement Priorities for Local Authority Regulatory Services", Local Better Regulatory Authority, February 2011, where comments on IP enforcement are limited to dealing with IP crime, and in particular counterfeits and piracy.

¹⁶ Irish Consumer Protection Act 2007.

¹⁷ Although a review of the historical development of the European laws of unfair competition is outside the scope of this Study, readers interested in this subject are referred to the opening chapters of *Unfair Competition Law*, Henning-Bodewig, F. (2006).

¹⁸ For an in-depth analysis of the differences between the German and UK laws, see *The Case for Reclaiming European Unfair Competition Law from Europe's Consumer Lawyers*, Selected Works of Christopher Wadlow, January 2007, also published at chapter 10 of *The Regulation of Unfair Commercial Practices under EC Directive 2005/29 - New Rules and Techniques*, ed. Weatherill, S. and Bernitz, U. (2007).

¹⁹ See Article 10*bis* of the Paris Convention at sub-paragraphs 2, 3(1) and 3(3).

highly developed law of unfair competition based on both legislation and case law, coupled with a system of enforcement which makes it an attractive jurisdiction in which to litigate for some rights holders. We have considered how these differences affect enforcement in practice by consulting foreign lawyers experienced in practising in that field (see paragraph 87 *et seq*) and by having discussions with bodies in the relevant industrial sectors on their members' experiences in litigating against parasitic copying (see paragraph 100 *et seq*).

51. Other Member States have a simpler law of unfair competition, which may be in due part to their recent history. For example, the specific provisions relating to parasitic copying in the Romanian law of unfair competition are limited to 'packages'. For protection against other forms of parasitic copying, a trader has to rely upon the general Romanian law of unfair competition.²⁰
52. Some Member States have identified the problems associated with different types of unfair competition and have dealt with them as separate, specific provisions rather than under one general law of unfair competition. For example, in Italy, Article 2598 of the Italian Civil Code provides for three types of unfair competition which focus on the differences between the types of infringing acts, whilst Spain distinguishes between imitation of third party services, products or initiatives that are unfair and acts that take unfair advantage of a third party's reputation or its efforts.
53. Questionnaire responses in relation to other Member States suggest that unfair competition law is less highly developed or that it focuses more generally upon whether the acts complained of are misleading or would confuse the consumer or are deceptive.
54. Only two Member States have no law of unfair competition. These are the two jurisdictions in the European Union, namely the Republic of Ireland and the UK, whose jurisprudence is substantially derived from common law. Both have torts of passing off where taking action against a parasitic copy requires that the plaintiff proves that the parasitic copy misleads the public as to its origin and that this causes damage to the plaintiff.
55. Of the other two Member States whose jurisprudence is in part derived from common law, Cyprus has a combined tort, called "unfair competition/passing off". Malta makes no specific reference to "passing off" in the Maltese Law of Obligations contained in its Civil Code, and the Maltese law regulating competition between traders is contained in the Commercial Code. However, certain breaches of the Commercial Code have similar consequences to breaches of tort law as it is set out in the Civil Code.

Sources of Law; Unfair Commercial Practices

56. The EC Unfair Commercial Practices Directive²¹ was enacted to protect consumer rights and to prevent certain misleading and unfair business practices. The Directive is therefore directed towards preventing practices that affect consumers.
57. The majority of Member States have therefore taken the view that parasitic copies are an example of such unfair commercial practices and national laws derived from the EC Unfair Commercial Practices Directive are used to prevent them.²² In those countries, private entities can use these laws to take action against parasitic copies.

²⁰ See the Romanian response at page 115 of Appendix 2.

²¹ 2005/29/EC.

²² See, for example, Annex 1 of the EC Unfair Commercial Practices Directive, paragraph 13.

58. Other Member States have taken the view that the laws based on this Directive should be directed towards other unfair commercial practices, and in particular against those activities whose focus is business-to-consumer rather than business-to-business. As such, in certain jurisdictions (including, for example, Greece, Lithuania and Romania) only a consumer (rather than a rights holder) can make a complaint. Other Member States encourage complaints to be made via consumer associations, such as in France and in Greece, and via registered consumer protection entities, such as in Germany and in Italy.
59. In Bulgaria, Cyprus, Estonia, Republic of Ireland, Latvia and the UK, only public authorities can make a complaint under these unfair commercial practices laws. As a result, even if on a strict construction of these laws they could possibly extend so far as parasitic copying, in practice they do not. The survey respondents for these Member States all concluded that as private rights holders could not use these laws to bring a claim against a parasitic copy, these laws would be of limited use in preventing parasitic copies. Public authorities in these Member States who are responsible for enforcing these unfair commercial practices laws tend to have limited time and resources. As such, they tend to the view that their efforts should be focused against activities which directly affect or could harm consumers, rather than against parasitic copies which they see as a business-to-business issue.
60. Certain of the questionnaire respondents in Phase 1A cited consumer protection laws and unfair commercial practice laws as preventing parasitic copying. One of the more significant of these Member States would be the Republic of Ireland which does not have a law of unfair competition. Although the Republic of Ireland limits certain rights to take actions under its Consumer Protection Act (which implemented the EC Unfair Commercial Practices Directive into Irish law) to public authorities, rights holders may also take action. As a result, Irish rights holders take private action against parasitic copies by using either the law of unfair commercial practices or the common law tort of passing off. As with the majority of other Member States which make public authorities responsible for enforcing unfair commercial practices law derived from the EC Unfair Commercial Practices Directive, it is notable that in those instances where enforcement activity in the Republic of Ireland is limited to public authorities, there have been no actions launched against parasitic copies.
61. Nevertheless, respondents from fourteen of the twenty-seven Member States reported (for a number of different reasons, to different degrees and subject to some caveats) that the implementation of the EC Unfair Commercial Practices Directive and the Enforcement Directive has improved the chances of bringing a successful claim against parasitic copying. Those fourteen Member States are Cyprus (only in relation to the EC Unfair Commercial Practices Directive), Denmark (only in relation to compensation remedies), France (only in that it has given a consumer a right to take action), Greece, the Republic of Ireland, Latvia, Lithuania, the Netherlands, Portugal, Slovak Republic, Slovenia, Spain and Sweden.
62. The respondents for Germany and Hungary both thought that it was too early to opine on whether these two Directives had made any difference to the chances of bringing a successful claim. The remaining respondents all thought that either or both of the Directives did not improve the chances of making a claim. The reasons for this vary, although it is often because there are existing laws that allow claims to be made which are unaffected by the implementation of these Directives.
63. It is clear that the Enforcement Directive improved access to certain remedies and relief in some Member States. By contrast, the EC Unfair Commercial Practices Directive has been implemented across the European Union with the aim of providing redress to

consumers (rather than primarily to businesses) in relation to unfair business to consumer commercial practices.²³ Any rights for businesses to take action against parasitic copies seem to be almost incidental. This is reflected in the fact that where public authorities have responsibilities under Member States' national implementing laws to take action in respect of unfair commercial practices, those public authorities typically either do not tend to see that authority as extending as far as parasitic copying, or do not regard it as desirable that it should. Several of our respondents commented that there was a general belief in their Member States that private rights holder were better-placed to take action against look-alikes (see, for example, Austria, Denmark and the UK).

Sources of Law; Tort of Passing Off

64. The tort of passing off has some limitations in countering parasitic copying because it is dependent upon a court finding that a misrepresentation has been made in the course of trade which affects a trader's goodwill and then proving the necessary evidential links to show that this causes the trader damage.²⁴ This would usually mean that even if a parasitic copy would be actionable in another Member State, it would not necessarily be actionable under the tort of passing off in the Republic of Ireland²⁵ or the UK.
65. Under the tort of passing off in the UK, what attracts protection is not the sign or get-up that is at issue but rather the reputation or goodwill generated by the use of that sign or get-up in trade by the trader before any proceedings began. Further, the tort focuses on the misrepresentation of the competing trader to the ultimate consumer and thereby concentrates on what might be termed "unfair trade behaviour" vis à vis such consumer rather than on "misappropriation", which is a key constituent of unfair competition law, and which is focused on how traders behave to each other.²⁶
66. The fundamental principle of English law is that unless a law exists which prohibits a person from doing an act, then carrying out such an act must be permissible. Consequently, the English common law of torts developed as a closed system with particular torts to address specific harms and English jurisprudence has relied upon the ameliorating effects of the law of equity to provide flexibility. This differs to some extent from the approach taken in European civil law countries which are more prescriptive regarding fundamental rights and freedoms and which acts are permissible.
67. Furthermore, as the UK developed as one of the leading industrial nations in Europe in the nineteenth century, this principle of restricting in law only what was clearly wrongful continued and was regarded as providing more flexibility in a rapidly-changing commercial environment. Thus whilst unfair trade behaviour is properly restricted, the general view now is that all other competition (including that which amounts to taking a fair advantage of another's investment in his brand) should be encouraged, not least because there is no property in a market share.²⁷ Traders in the UK are therefore protected through a combination of the tort of passing off and, in relation to advertising, voluntary self-regulation²⁸ and to a certain extent, rather than laying down in law objective standards of

²³ See Recital (8) of the EC Unfair Commercial Practices Directive.

²⁴ For a summary of the leading cases on passing off, see the UK response to Phase 2 at page 55 of Appendix 8.

²⁵ For cases on the Irish tort of passing off, see page 75 Appendix 2.

²⁶ See *The Case for Reclaiming European Unfair Competition Law from Europe's Consumer Lawyers*, Selected Works of Christopher Wadlow, January 2007.

²⁷ Per Jacob J (as he then was), "There is no tort of taking a man's market or customers. Neither the market nor the customers are the plaintiff's to own", *Hodgkinson & Corby Ltd v Wards Mobility Ltd* (No.1) [1994] 1 W.L.R. 1564 Ch D, at 1569.

²⁸ The UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing (commonly referred to as the "CAP Code") (12th edition) and the UK Code of Broadcast Advertising (5th edition) (commonly referred to as the "BCAP Code"). Both Codes came into force on 1 September 2010.

behaviour with which traders must comply, the subjective standards applicable in the relevant marketplace of an honest trader are instead applied.²⁹

Other legal protections to counter parasitic copying

68. What is apparent from the questionnaire responses is that even though a Member State may have unfair competition laws or unfair commercial practices laws, certain of them still rely upon enforcement of intellectual property rights to prevent parasitic copying.
69. Certain respondents, including those in Belgium, Latvia and in passing, the Republic of Ireland, cited trade mark laws as providing some protection against unfair competition, even though it overlapped or did not necessarily extend further than that provided by the unfair competition laws in those jurisdictions and it was not the primary reason why those trade mark laws were enacted.
70. It is however notable that, notwithstanding the fact that these registered trade mark laws have been harmonised by the EC Trade Marks Directive,³⁰ except for the UK, all of them also use unfair competition law or private rights of action in unfair commercial practices law. Although infringement of a trade mark ought to be treated in the same way throughout the European Union, these Member States evidently believe that a law of unfair competition has something else to offer, including a potentially broader scope of protection. Only the Republic of Ireland and the UK have not enacted a specific law of unfair competition.
71. Certain Member States also use designs law or copyright law where that would be relevant and Austria, Belgium, the Republic of Ireland, Sweden and the UK all made reference to designs law being relevant in certain incidences to protect against parasitic copying. Design and copyright law is often used because of the limitations of protecting certain types of packaging using trade mark law. In particular, certain shapes are not registrable as trade marks but they may be registrable as registered designs. In certain instances, a parasitic copy (e.g. the label on a look-alike bottle of cola) may infringe the copyright in an artistic work.

Elements necessary to commence successfully legal proceedings

72. The elements that would need to be present to commence legal proceedings in the various Member States depend upon the individual laws that apply in a particular Member State. Although a number of jurisdictions use unfair competition laws, they do not share the same requirements. Whilst certain of the unfair competition laws clearly originate from Article 10*bis* of the Paris Convention, nonetheless they vary from Member State to Member State.
73. For example, generally, the common elements of the various laws of unfair competition need to show that:
 - (a) the product that is being copied has individual or distinctive elements that are not generic within the trade;
 - (b) the adoption of the parasitic copy may cause consumer confusion or be misleading as to trade origin or be deceptive;³¹

²⁹ For an analysis of the approach taken by the UK in its law of passing off from the perspective of a Continental academic, see *Towards a European Unfair Competition Law*, de Very, R. W. (2006).
³⁰ 2008/95/EC.

³¹ This element which is reproduced in different forms in different Member States, is apparently derived from Article 10*bis*, paragraph 3(b) of the Paris Convention.

- (c) the copying has an unfair element, which is often expressed as either taking unfair advantage or as exploiting another trader's reputation.
74. In some instances, it is necessary to show that the parasitic copy may dilute the rights which exist in the get-up or design of the original product.
75. Some Member States require that there is an element of intention upon the part of the parasitic copier which means that it must at least have been actively aware of the original product on the market and it deliberately attempted to take advantage of it.
76. There are also individual differences between the various laws of unfair competition. France, for example, has a limitation period of ten years from the date upon which the trader originally became aware of the parasitic copy. After this period, no claims may be brought. Spain has different limitation periods, depending on the point at which they are triggered, see paragraph 91.7 for further details, and the limitation period in the UK for the tort of passing off is six years from the date passing off occurred.³²
77. Several respondents (including those in Cyprus, Latvia and Slovakia) remarked that the success of any action depended on securing good factual evidence that demonstrated that parasitic copying had occurred. This might include a sample of the parasitic copy. We have commented further on procedural and enforcement issues at paragraph 80 below.
78. Certain Member States (including Cyprus, the Republic of Ireland, Romania and Sweden) indicated that they also use criminal law to prevent parasitic copying. These provisions all have a higher standard of proof and are directed towards activities which are deceptive or which would affect consumers. These include trade description laws in Cyprus, certain deception and theft offences under the criminal law of the Republic of Ireland and in Sweden the criminal law provisions of trade mark law and copyright law. In Sweden criminal law penalties are also available in relation to unfair competition in certain instances. Whilst an examination of the criminal laws against intellectual property theft is outside the scope of this Study, for the most part they are designed to deal with counterfeiting.
79. Member States also use the general provisions in their civil laws to supplement the protection that is available under unfair competition law or unfair commercial practices law, although in some instances there may be an issue as to how those laws are described. In Hungary although there is an unfair competition law, claims can also be made for damages and unjust enrichment under the general civil law. In Latvia, competition law and advertising law are also used to address parasitic copies and the Republic of Ireland also uses the misleading advertising rules derived from the EC Misleading and Comparative Advertising EC Directive³³ to tackle certain instances of parasitic copying.

Enforcement – remedies

80. The range and types of remedies available in an action against parasitic copies in the European Union are for, the most part, similar, although the number of those remedies and the ways in which they are applied may differ between Member States.
81. Most jurisdictions include remedies such as injunctions or cease and desist orders that aim to prevent the unlawful activity and financial remedies that are aimed at compensating the injured trader either through awards of damages or payment of its costs

³² Section 2, Limitation Act 1980.

³³ 2006/114/EC.

of taking action. Some Member States (such as Cyprus, Denmark and the Republic of Ireland) allow fines to be levied, whilst others allow for infringing parasitic copies to be destroyed or seized (Denmark, Hungary, the Republic of Ireland and the UK). Some Member States (such as France, Italy, Latvia, Poland and Romania) insist upon the publication of a judgment in either a national newspaper or on the infringer's website.

82. With only a few exceptions (such as Cyprus, where although administrative remedies can be claimed cumulatively, a plaintiff must choose between the civil remedies of an injunction and damages), remedies can be claimed cumulatively.
83. To the extent that a parasitic copy involves infringement of an IP right, the Enforcement Directive would apply. However, notwithstanding the requirement in the Enforcement Directive that allows monetary remedies that are intended to compensate the plaintiff (e.g. damages) **and** an accounting to the successful plaintiff of the profits of the infringer (e.g. an account of profits) to be claimed cumulatively, these remedies have not yet been successfully claimed in a number of Member States. Doubt was expressed by some respondents as to whether such claims would be successful, which they explained as a reluctance on the part of the courts to compensate the successful plaintiff twice for the same harm or damage sustained.
84. Nevertheless, for a variety of reasons, respondents in Denmark, Greece, the Republic of Ireland, Latvia, Lithuania, Malta, Portugal, the Slovak Republic and, to a lesser extent, Spain reported that the enactment of the Enforcement Directive had improved the plaintiff's chances of bringing a successful claim for parasitic copying. (A successful claim in this instance being one in which the plaintiff wins its case and is awarded remedies that it finds acceptable).
85. In Greece, the enactment of the Enforcement Directive has allowed plaintiffs to obtain better information about the defendant and its activities, providing that it can bring a copyright infringement claim as part of its case against a parasitic copying, and similarly in Malta plaintiffs use aspects of the Enforcement Directive to obtain both better information about the defendant and its activities as well as to apply for certain remedies (such as injunctions) that were not previously available. In the Republic of Ireland, plaintiffs use the remedies available pursuant to the Irish statutory regulations that transposed into Irish law those aspects of the Enforcement Directive that did not previously exist in Irish law as well as the remedies that were traditionally available in an action for trade mark infringement and passing off.³⁴
86. In all these instances, although a plaintiff will have to show that it has a case to which its national provisions derived from the Enforcement Directive apply (i.e. that it has a prima facie case for infringement of an intellectual property right), nevertheless the remedies that it may now obtain are regarded as sufficiently useful that it is worth filing such a claim, even if its primary cause of action may lie elsewhere.

Perceived difficulties in particular jurisdictions in preventing parasitic copying

87. In Phase 2, we examined how the laws on parasitic copying were applied in six Member States. Common problems encountered include establishing that:
 - (a) products and/or packaging are known and distinctive;
 - (b) there is sufficient risk of confusion concerning the commercial origin of the product; and

³⁴ See the European Communities (Enforcement of Intellectual Property Rights) Regulations 2006 (SI no. 360/2006).

(c) there has been imitation of the original product.

We have set out the specific difficulties that were identified in each jurisdiction.

88. Bulgaria

88.1 Look-alikes are actionable in Bulgaria under the Law on Protection of Competition ("**LPC**"). However, no clear guidelines have been issued by the Bulgarian Supreme Administrative Court concerning when a look-alike product can be successfully challenged by a plaintiff, nor has it defined what a look-alike is. This makes it difficult for a plaintiff to assess with any certainty whether bringing a case under the LPC would be worthwhile.

88.2 The Supreme Administrative Court has however established some elements that need to be met for a successful claim under the LPC. Undertaking A must provide evidence that undertaking B is a competitor of undertaking A, that both of their respective products 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. Product A need not have been on the market for a long time or have a reputation.

88.3 Further case law of the Supreme Administrative Court goes into greater detail concerning the degree of similarity required, and establishes that parasitic copying is not considered to be amongst the more serious breaches of the LPC. This is important because it establishes the size of the penalty that the court will impose. Usually, it is 2% of the turnover of the losing party.

88.4 The limitation period for claims under the LPC is:

(a) three years - for breach of provisions concerning requests for information or inspection;

(b) five years - for all other offences, including claims regarding parasitic copying.

88.5 The limitation period begins to run from the date of the offence and in case of a continuing offence, from the day on which the offence ceases.

88.6 Finally, a Bulgarian unfair competition claim cannot be combined with other actions because claims under the LPC have to be heard before the Commission for Protection of Competition, rather than before an ordinary civil court.

89. Germany

89.1 Although Germany is viewed as an attractive jurisdiction by rights holders in which to take action, plaintiffs nevertheless face certain problems in bringing a successful claim against parasitic copies under German unfair competition law.

89.2 Since the leading case of *Noppenbahn*,³⁵ the courts have required that the original product must enjoy a "certain market awareness" (i.e. that it was known by a considerable number of consumers) at the time the look-alike product was launched in order for the original product to deserve protection. This is therefore a significant problem for plaintiffs whose products are niche products or for those which have only been on the market for a short time.

89.3 Although case law stresses that the presence of a number of look-alikes in addition to the original product should not prevent action being taken by a plaintiff against a particular

³⁵ German Federal Supreme Court, 8 November 2001.

look-alike, nevertheless in practice it may be difficult or expensive for a plaintiff to take action against all look-alikes. This can therefore result in the presence of many look-alikes having a dilutive effect in the marketplace.

- 89.4 German unfair competition law only protects the specific, distinctive design of packaging and products against look-alikes, but it does not protect against the "look and feel" or the concept of a particular product, its packaging or a product line.
- 89.5 As look-alikes often display their own brand names, the German courts have stressed the relevance of a different brand name on a look-alike product depends on the circumstances of the case. See, for example, the *Viennetta* case³⁶ where the court held that consumers typically identify packaged supermarket goods by reference to the brand name so different brand names are highly significant except where the brand name used is that of the supermarket chain.³⁷ However, the view of our German colleagues is that it has become increasingly difficult to argue that there is any confusion when the look-alike has a different brand name, particularly if the look-alike is a supermarket good or if it is a technical product.
- 89.6 Plaintiffs also face some reluctance on the part of the German courts to accept that survey evidence could be used to prove confusion. Instead, the courts take the view that confusion should be judged on the basis of the views of a fictitious average, well-informed consumer.
- 89.7 In cases where more than one product or where a complete product line of an undertaking has been systematically copied, then case law has acknowledged that this constitutes an additional and specific unfair element in respect of which the plaintiff deserves redress. Yet the German courts typically require that the plaintiff must have established commercial loss as a result of such systematic copying, which is not necessarily easy to prove, particularly if the goods are not marketed side by side in the same store.
- 89.8 The fact that a look-alike product is compatible with the original product (e.g. spare parts) is not relevant in an unfair competition action, not least because the German courts consider that spare parts should be freely available.
- 89.9 The limitation period for unfair competition claims is 6 months, but it starts to run after the plaintiff became aware of the last, latest act of infringement.

90. Italy

- 90.1 The most important element for a plaintiff to establish in order to make a successful claim for "unfair competition" or "slavish imitation"³⁸ is to establish that there is a likelihood of confusion between its product and that of a competitor. It has been suggested that parasitic copying should instead be prohibited by Article 2598, no. 2 of the Italian Civil Code, which is also a ground of unfair competition but which covers "misappropriation of values".
- 90.2 This ground prohibits cases where the imitator copies the appearance of a well-known product so as to take advantage from its reputation in the market without any likelihood of confusion. The lack of a requirement of likelihood of confusion makes it attractive to plaintiffs. However, the established case law views the "values" element of this ground as applying only to commercial promotion of the products rather than to their appearance.

³⁶ German Federal Supreme Court, 19 October 2000.

³⁷ *Knoblauch Würste*, German Federal Supreme Court, 2 April 2009.

³⁸ In each case, under Article 2598, paragraph 1, No 1 of the Italian Civil Code.

90.3 Although a few parasitic copying cases have been successfully brought under on Article 2598, no. 2 of the Italian Civil Code, the majority of them were also instances where a likelihood of confusion could also be proved in relation to the parasitic copy's packaging and so the plaintiff also filed a claim based on Article 2598, paragraph 1, No 1 of the Italian Civil Code. As a result, it is difficult to be certain that the cases would have succeeded on Article 2598, no. 2 of the Italian Civil Code.

90.4 The limitation period for all claims under Article 2598 of the Italian Civil Code is five years.

91. Spain

91.1 The general principle in Spanish unfair competition law is that the prohibition of unfair competition should not impede fair competition, which is to be encouraged. Depending on the circumstances, imitation of a product is not necessarily unfair competition. To ensure that fair competition is not restricted, the Spanish courts tend to take a restrictive approach in interpreting the Spanish unfair competition law provisions and plaintiffs are generally required to meet a high burden of proof in relation to the required elements.

91.2 Different courts in Spain also take different approaches in interpreting the law. The Appeal Courts of Madrid take a more restrictive approach than courts elsewhere in Spain. For example, whilst some courts require proof of the risk of confusion by means of market research studies, other courts carry out a theoretical or abstract analysis of this element without requiring any evidence.

91.3 Generally, Spanish courts tend to take a restrictive approach in awarding damages so that either damages are not awarded or the amount awarded is very limited.

91.4 Whilst there are no special procedural or legal barriers to bring actions against parasitic copies other than the restrictive interpretative approach and high burden of proof imposed by the Spanish courts in cases concerning parasitic copies, other issues may prevent or deter a plaintiff from bringing a claim.

91.5 These include the initial costs that the plaintiff must meet in launching civil proceedings in Spain, which are expensive compared to other countries. In Spain, a plaintiff is required to prepare and file its entire case with the initial brief when proceedings are issued. This includes all legal arguments and all evidence, including expert evidence. In other Member States (such as the UK), a plaintiff will deal with these matters throughout the proceedings, which allows it to spread the preparation costs throughout the action.

91.6 Costs recovery is also limited in Spain. Although the legal costs of bringing the proceedings are borne by the losing party, the winning party is never fully compensated and there are important exceptions to the principle which allow a judge to deny an award of costs where he or she believes that the case presents serious doubts in relation to its facts or the applicable law. Further, where the claim is partly admitted, each side bears its own costs.

91.7 The statute of limitations for unfair competition claims is only one year in Spain from the time when the plaintiff knew of the identity of the infringer and at most three years from the moment the unfair competition ceased.

91.8 Finally, several causes of actions cannot be combined into one action in Spain. This means that the plaintiff has to maintain separate actions for unfair competition and infringement of intellectual property rights, thus raising costs for the parties.

92. Sweden

- 92.1 As with the other jurisdictions in the survey, establishing a risk of confusion of commercial origin is of particular importance for a plaintiff making a successful claim against a look-alike under the Swedish Marketing Act, even though there is also a ground that requires that the marketing of a look-alike takes unfair advantage of another company's reputation.
- 92.2 Although plaintiffs would prefer to file for a preliminary injunction, the view of our agent was that they are deterred from doing so because of the burdens that a successful plaintiff for such an order has to bear. If a preliminary injunction is awarded, the plaintiff must compensate the defendant for damages suffered as a result of that preliminary injunction if the defendant is successful at trial. The plaintiff also has to give the defendant a bank guarantee for a preliminary injunction to be granted at all.
- 92.3 The limitation periods specified in the Swedish Marketing Act where a market disruption charge and/or damages are claimed is five years from the dates on which, respectively, the acts of infringement stopped or the damage in respect of which damages are claimed arose.
- 92.4 However, there are no specific limitation periods in relation to the other remedies under the Swedish Marketing Act of prohibitions, orders and injunctions. However the Market Court has in certain cases stated that it is possible for the court to award prohibitions, orders and injunctions although the infringing marketing practices have ceased, if a valid reason for awarding those remedies remains.
- 92.5 Finally, several causes of action cannot be combined into one action, thus raising costs for the parties.

93. UK

- 93.1 The principal difficulties for a plaintiff in challenging look-alikes in the UK arise in relation to how the tort of passing off is interpreted and applied. Where such look-alikes do not cause confusion amongst the public, nor can be said in any way to be misleading as to the origin of the relevant product, then it is highly unlikely that they will be actionable under the law of passing off even if the same look-alike would be actionable under another country's law of unfair competition.
- 93.2 Although recent case-law in the Court of Justice of the European Union in relation to registered trade marks 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, where the action does not mislead the consumer, nor does it take an advantage which could be considered "unfair", this 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 where there is no unfair advantage.
- 93.3 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. This attitude has historically limited the willingness of the courts to interfere in what is otherwise seen as healthy competition.

- 93.4 The limitations of passing off are such that a plaintiff is more likely to be successful if it can rely upon a registered intellectual property right. However, the groundless threats provisions that exist in relation to registered intellectual property rights make it difficult to send a frank cease and desist letter without risking being sued by potential defendants.

Comparative analysis of worked examples

94. In Phase 2, we also asked the respondents to assess whether it would be possible to take action against look-alikes in certain specific examples.
95. Although it is unlikely that there would ever be an entirely uniform approach (not least because linguistic, historic and cultural requirements and a country's own legal traditional and approach may play a part in determining whether there is, for example, any confusion), what was notable was that in the four examples offered, the respondents in the Phase 2 Member States in applying their national laws against parasitic copying all came to different conclusions. There was no agreement that any one example either constituted an actionable look-alike or that it did not. It seems that the different requirements for taking action against parasitic copying across the European Union necessarily produce different results. This provides a telling example of how difficult it must be for a plaintiff to establish with any certainty whether it is worth taking action against a particular look-alike, and if so which Member State is the most appropriate forum.

LITERATURE REVIEW

96. A summary of the databases searched is attached in Appendix 9 to this report.
97. The nature of parasitic copying tends to mean that certain brand owners, particularly in the FMCG (Fast Moving Consumer Goods) sector, have extensive materials and established lobbying groups to lobby for more effective protection in this area. Whilst this is useful in ensuring that there is a consolidated, reasonably succinct set of materials that establish the views of this particular interest group, the nature of the parasitic copying that takes place in this market sector tends to mean that the opposite or alternative position which might be expressed by the so-called parasitic copyists is not as easy to identify.
98. As a result although there is a significant amount of literature in this area, our initial searches found material that was not sufficiently analytical or comparative to be suitable for use in this Study. We therefore adapted our search methodology to locate additional materials with the aim of identifying more suitable material. (A summary of the scope of the literature review is set out at Appendix 9). In conducting those searches, although we identified additional material, some of it was focused on the competition and restraint of trade aspects raised in relation to parasitic copies and the reasons why look-alikes are commercially viable, rather than on a comparative legal analysis. We have therefore concentrated on the latter material and excluded the former from our review.
99. A number of these materials concentrate on the fundamental differences in principles and approach between the laws of unfair competition and their equivalents in various Member States and on the approaches taken in implementing the EC Unfair Commercial Practices Directive. To the extent that these are relevant or useful, we have commented on the issues raised in the body of this Report and referenced the relevant materials in footnotes to the body of the text.

DISCUSSIONS WITH AIM AND BBG

100. The EC Commission asked us to consult with industry bodies, including AIM. AIM emphasised that it does not object to free and fair competition but that its members find parasitic copies not only offer competitors an advantage that amounts to unfair competition but that it also causes consumer confusion. Research³⁹ suggests that in a crowded shop such as a supermarket with limited time and attention available to examine purchases, consumers select products based on their shapes and colours, rather than on their names hence the popularity and prevalence of parasitic copies. AIM is also concerned that early confidential access to information about the launch of new products is exploited by supermarkets who use it to launch their white label products soon after the launch of the branded product.
101. AIM's members have noticed differences in the extent and scope of protection available to its members in the different Member States. It believes that these disparities cause barriers to trade within the European Union.
102. AIM also believes that certain Member States have useful lessons to offer the rest of the European Union in relation to their attitudes to parasitic copies. In particular, it suggested that we expand our detailed analysis of the laws against parasitic copying in five Member States (see paragraph 31 above) to include Spain. It also supplied a copy of its January 2010 position paper on parasitic copying, a copy of which appears at Appendix 12.
103. In addition to answering the questions contained in the Phase 2 questionnaire, our Spanish colleagues also spoke with Mr Alberto de Lasarte, who is the director of a well-known consultancy firm, GESCOM, Estrategia de Comunicación, S.L ("**Gesco**"). Its website can be found at www.gesco-civec.com. They also sent him a copy of the AIM materials that appear at Appendix 12.
104. Gescom carries out comparative analyses of original branded and parasitic copied products for trade mark and design infringement cases, and for unfair competition litigation. His work features in a number of the Spanish cases on articles 6 and 11 of the Spanish Unfair Competition Act, see page 26 of Appendix 8.
105. Mr Lasarte reported that since the establishment of the Appeal Court of Barcelona (which is effectively the first specialist IP court in Spain) and the changes to the Civil Procedural Act in 2000, which has allowed the presentation and discussion of oral evidence, it has become easier for a plaintiff to succeed in a case against parasitic copying. He also noted that the courts that deal with more parasitic copying cases, including the Barcelona court and the CTM court in Alicante, tend to be more sympathetic to plaintiffs.

CONCLUSION AND RECOMMENDATIONS

106. Our investigations suggest that the current regimes of protection available in Member States in respect of parasitic copying and the enforcement options open to rights holders are inconsistent and lead to different results in different Member States. This occurs in part because, as we have already established, views as to whether and when parasitic copying should be actionable differ across the European Union.
107. Even where there is a framework of sorts that has been established by Community law, implementation and enforcement is a matter of national law, which naturally leads to inconsistencies. The different treatments afforded to parasitic copies across the

³⁹ *Protection and Infringement of Look-alikes*, Steinhauser, P., Lampel, T., Marques Unfair Competition Team (undated) and Annex 2, AIM Position Paper: *Parasitic Copying: Trading on the Innovation and Creativity of Others* (2010).

European Union could amount to a barrier to trade within the internal market of the European Union.

108. Whilst the enactment of the EC Unfair Commercial Practices Directive has improved the protection available to parasitic copies in a few Member States, this appears to be the exception rather than the rule.
109. The main reason for this seems to be that Member States did not regard the primary purpose of the Directive to be the prevention of parasitic copies, which Member States see as an issue that primarily affects rights holders rather than consumers. Instead, the Directive was perceived to be a consumer protection measure, and so although it was open to Member States to enact provisions that prevented parasitic copying and which gave private rights holders a right of action, many chose not to do so. As a result, any protection provided in respect of the prevention of parasitic copies as a result of the Directive was at best incidental and in any case not consistently applied across the European Union.
110. As a result, if the Commission were to take the view that it is necessary to harmonise the position on parasitic copies, then we would make the following recommendations.

Recommendations

111. Based on our understanding of how the EC Unfair Commercial Practices Directive has been implemented, any parasitic copying legislation should include a clear and precise indication of its intended nature, its aims and objectives so as to make it entirely clear to a Member State when the approach it had previously adopted is insufficient and/or inapplicable.
112. Specialist courts should be the only judicial arena in which claims relating to parasitic copying claims are heard. In the majority of cases, we submit that it would be sufficient if they were heard in the same courts as trade mark infringement and unfair competition/passing off claims. This would mean that such claims can be heard cost-effectively together with whatever other intellectual property infringement claims may also apply. It would also ensure that a pool of specialist judicial experience and expertise is established as such courts become familiar with the requirements of any new harmonising law.
113. Consideration should be given to extending relevant provisions in the Enforcement Directive (particularly those dealing with the provision by the defendant of relevant information concerning its activities and remedies) to parasitic copying cases so that they are uniformly and clearly available across the European Union, as this does not appear presently to be the case.

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23 September 2011

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The authors would like to thank those who generously contributed their time and expertise to complete this Study successfully and in particular the Contributing Legal Practitioners, who are listed in Appendix 1 and below. We also gratefully acknowledge the valuable assistance of the following individuals and organisations in the preparation of the reports and the conduct of this Study:

Rachael Perkin, Hogan Lovells
Robert Anderson, Hogan Lovells
Sarah Turner, Hogan Lovells
Anneka Bain, Hogan Lovells
Victoria Coombs, Hogan Lovells
Victoria Dolan, Hogan Lovells
Mark Hunting, Hogan Lovells
Vera McManus, Hogan Lovells
Camilla Shires, Hogan Lovells
Gill Diamond, Hogan Lovells
Charis Freedman, Hogan Lovells
Chris Heron, Hogan Lovells
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Nicolas Decker, Decker, Braun & Poos, Luxembourg
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