

QUESTION 115

Effective protection against unfair competition under Article 10^{bis} Paris Convention of 1883

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Q115

Question Q115

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Resolution

AIPPI has taken into consideration:

1. The scope of Article 10^{bis} of the Paris Convention

Article 10^{bis} (2) defines unfair competition as any act of competition contrary to honest practices in industrial or commercial matters. Article 10^{bis} (3) describes three categories of cases that in particular have to be prohibited, namely acts of such a nature as to create confusion, false allegations of such nature as to discredit a competitor and indications which are liable to mislead the public. These three categories are important examples of unfair competition and may even cover the majority of acts committed in practice. However, there exist manifold other ways and means to commit unfair competition which do not fall into any of these three categories.

2. The WIPO study

2.1 WIPO is at present studying possibilities of improving the protection provided by Article 10^{bis}. As a first step, WIPO has recently published an analysis of the present world situation on the protection of unfair competition (WIPO Publication No. 725, 1994). This analysis shows that WIPO is interested in an effective application of the three categories of cases expressly listed in Article 10^{bis} (3), without restricting its work to them. It covers additionally the violation of trade secrets, taking undue advantage of another's achievement, and in this context, among other topics the aspects of dilution and slavish imitation, comparative advertising, the exploitation of fear, delivery of unsolicited goods, special sales promotions, etc.

2.2 WIPO deduces an increased need for protection against unfair competition from the fact that in the wake of recent political developments, an important number of countries is in the process of adopting a market economy system. Whilst free competition between enterprises is considered necessary to satisfy supply and demand in the economy and to serve consumers, it cannot be denied that, where there is competition, acts of unfair competition are liable to occur.

3. The purpose and the scope of the work of AIPPI

3.1 The purpose of the work of AIPPI is to give its considered opinion on the need and requirements for improved protection against unfair competition as envisaged by WIPO. Whilst this is a world-wide problem, it should be particularly important for some countries which, in view of their recent introduction of a market economy system, cannot rely on an established tradition in law and practice to deal with such acts of unfair competition.

3.2 AIPPI has studied the application of the three categories of cases of unfair competition, listed in Article 10^{bis} (3), in national laws. Additionally, it has studied three cases not listed in Article 10^{bis}, namely "dilution", "slavish imitation" or "slavish copying", and violation of trade secrets.

3.3 The work of AIPPI does not cover any other act of unfair competition contrary to honest business practices, in particular not comparative advertising. Furthermore, it does not address whether there may be other dishonest practices in the market place, which although not strictly acts of competition, nevertheless should be regarded as unfair competition in the modern sense of the concept, from which competitors, consumers and the public at large should be protected.

4. The future work of AIPPI

If one compares the scope of the WIPO analysis and that of the work of AIPPI, it becomes apparent that the aim of rendering a well-founded opinion to WIPO can at present only be partially reached. AIPPI should, therefore, continue its work in order to investigate the need for protection of competitors and consumers against other possible acts of unfair competition not dealt with in this Resolution.

AIPPI adopts the following Resolution

5. Acts of unfair competition in general

5.1 Definition

Article 10^{bis} (2) restricts protection against unfair competition to **acts of competition** contrary to honest practices in industrial and commercial matters. Since the modern concept of protection against unfair competition aims at protecting not only competitors but also consumers and the public in general, AIPPI believes that any act contrary to honest (fair) business practices should be regarded as an act of unfair competition.

5.2 General clause and specific examples of unfair competition

For many countries it may be desirable for the practical application of laws proscribing unfair competition that particular categories of unfair competition be listed and the work of AIPPI should help define such typical examples. However, it is impossible to establish an exhaustive list of unfair behaviour. AIPPI therefore believes that countries, in order to combat unfair competition effectively and in a flexible manner, should in their national laws provide for a general clause prohibiting all acts contrary to honest business practices.

6. Acts of such nature as to create confusion (Article 10^{bis} (3)1.)

AIPPI observes that:

6.1 countries in general provide protection against acts which are likely to create confusion;

in particular that:

6.2 in general under civil law no fraudulent intent is required for protection against confusion;

6.3 likelihood of confusion is the test generally applied;

6.4 generally any type of confusion, not limited to the criteria listed in Article 10^{bis} (3)1. is considered;

6.5 in general, the likelihood of confusion is to be examined in relation to an average (reasonable) consumer, having normal attentiveness with regard to the nature of the product or service or the place where it is offered;

6.6 the relevant confusion can result from any means whatever, including the presentation of a product or its packaging;

6.7 however, in cases of imitation of product get-up (trade dress), courts sometimes give more attention to differences in product names and downplay the risk of confusion arising from other features, such as the use of similar colours and graphic elements.

AIPPI believes that:

6.8 when considering trade dress imitations, all factors should be taken into account, and in particular the similarity in the overall appearance arising from the use of similar sizes and shapes, colours and graphic elements and from any other aspects, such as similar illustrations, the use of descriptive text in a similar presentation, and similar logo design;

6.9 the law should proscribe the inducing of trade by confusing consumers as to the origin or quality of the product offered for sale, even where the confusion is corrected prior to the sale being completed.

7. False allegations of such nature as to discredit a competitor (Article 10^{bis} (3)2.)

AIPPI observes that:

7.1 Article 10^{bis} only refers to false allegations and does not require prohibition of denigration based on true statements;

7.2 a number of countries provide the narrow protection referred to in 7.1;

7.3 a number of countries provide for protection against misleading denigrating allegations, whether they are false or true;

7.4 other countries provide for protection against all unreasonably denigrating allegations, even if they are neither false nor misleading.

AIPPI believes that:

7.5 countries should recognize that unjustifiably discrediting a competitor's business is an unfair business practice;

7.6 denigrations relating to attributes of a competitor which have nothing to do with his commercial activities (e.g. references to nationality or race) should always be regarded as unreasonable and therefore as unfair business practice.

8. Indications which are liable to mislead the public (Article 10^{bis} (3)3.)

AIPPI observes that:

8.1 protection is generally provided against allegations which are liable to mislead the public and, in general, all kinds of allegations, not restricted to those listed in Article 10^{bis}, are covered by such protection, including allegations referring to the geographical origin of the products;

8.2 the standard as to what is regarded as being misleading varies from country to country;

8.3 countries generally allow a certain degree of exaggeration.

AIPPI believes that:

8.4 there should be protection against all kinds and means of misleading allegations;

8.5 the standard by which allegations are measured should be neither too lenient, nor over-protective; the test should be whether the average (reasonable) consumer, having normal attentiveness, is likely to be misled by an allegation. Such test would also be applicable to determine prohibited exaggerations.

9. Dilution

AIPPI observes that:

9.1 many countries recognize the concept of dilution which is applied independently of confusion. However, dilution is generally restricted to the protection of distinctive signs and, in particular, to those having a high reputation (famous marks);

9.2 the WIPO analysis on the protection against unfair competition, within the framework of a chapter on "taking undue advantage of another's achievements", deals with the concept of dilution only in the context of the protection of well-known or famous trademarks.

AIPPI believes that:

9.3 dilution should be generally regarded as unfair competition and

9.4 reiterates its position taken in the Resolution of Question 100 passed in 1990 in Barcelona that marks and other distinctive signs having a reputation should be protected against the taking of undue advantage of or causing detriment to their distinctive character or reputation.

10. Slavish or quasi-slavish imitation or copying

AIPPI observes that:

10.1 the legal concept of slavish imitation (slavish copying) of a product or achievement, which is not covered by a specific intellectual property right is known in a certain number of countries, however, not in many others; it is rarely expressly mentioned in the law;

10.2 slavish imitation **as such** is expressly forbidden in a small number of these countries, only;

10.3 in other countries, slavish imitation is prohibited under certain circumstances, in particular if there is a risk of confusion;

10.4 some of these countries prohibit slavish imitation, independently from a risk of confusion, if somebody takes undue advantage of the reputation or expenditure of his competitor;

10.5 slavish imitation cannot generally be prohibited if it is technically necessary;

- 10.6 some countries extend such exclusion from the possible prohibition of slavish imitation also to shapes having aesthetic functionality;
- 10.7 cases of slavish imitation can relate not only to a product, but also to the presentation of a product or service;
- 10.8 some countries draw a distinction between cases of a slavish imitation, where the imitation is achieved by the imitator's own efforts, and direct appropriation with the help of modern means of reproduction technology, the latter being more likely to constitute an act of unfair competition.

AIPPI believes that:

- 10.9 slavish or quasi-slavish imitation which creates a risk of confusion is contrary to honest business practices (see above paragraph 6);
- 10.10 whether and under which circumstances slavish or quasi-slavish imitation or direct appropriation, which is not likely to create confusion, may be contrary to honest business practices, should be studied further.

11. Violation of a trade secret

AIPPI observes that:

- 11.1 protection is, under certain conditions, generally afforded against violation of technical and commercial trade secrets based on unfair competition rules or on other provisions of administrative, civil, commercial or criminal law;
- 11.2 in most countries, a trade secret is only protected if the information has a certain commercial value. Some countries measure the value by objective standards, other countries let it suffice that the information has a value for its proprietor, which normally will be shown by the mere fact that the owner has undertaken steps to keep it secret;
- 11.3 the information must actually be secret (confidential). This does not mean absolute secrecy, but that the information is not generally known and not readily ascertainable;
- 11.4 generally the proprietor of the trade secret must take appropriate measures to keep the information secret;
- 11.5 an employee acts illegally when, without authority, he discloses a trade secret of his employer to a third party;
- 11.6 in certain countries also the use or disclosure of a trade secret of a former employer by an ex-employee is illegal, if the information was clearly meant to remain confidential, or if the former employee would obtain an undue advantage;

- 11.7 industrial or commercial espionage is illegal;
- 11.8 third persons commit an illegal act if, without good faith, they use or disclose information obtained through espionage, from an employee of the proprietor, or within a contractual or pre-contractual relationship with the proprietor of the information or other improper means. In some countries, it is also illegal to use information received from a former employee of a competitor, in particular if the third person does not simply take advantage of information received but tries to bring about the disclosure of the information;
- 11.9 criminal sanctions are generally available, and in a number of countries, criminal law is even the principal basis for combating violations of trade secrets.

AIPPI believes that:

- 11.10 confidential commercial and industrial information should be protected as a trade secret;
- 11.11 any violation of a trade secret should constitute an act of unfair competition, in particular
- industrial or commercial espionage,
 - use or disclosure of a trade secret improperly obtained from the proprietor,
 - unauthorized use or disclosure of a trade secret by a person, to whom the proprietor entrusted it,
 - the use or disclosure of a trade secret without consent of its proprietor, which was received from a person to whom it was entrusted or who obtained it improperly, if the user knew or should have been aware of this fact,
 - the question, whether this should apply even if the trade secret was received in good faith should be studied further.

(Earlier Resolutions concerning the same question respectively the same subject matter: Q1/1956, NS 3, 137, point 13; Q80/1984 I, 162; Q80/1985 III, 309; Q77/1985 III, 325, point II; Q95/1989 II, 347; Q104/1992 III, 279.)

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Question Q115

Effective protection against unfair competition under article 10^{bis} Paris Convention of 1883

Resolution

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Q115

AIPPI has taken into consideration:

At the meeting of the Executive Committee in Copenhagen 1994 AIPPI adopted a Resolution on Q115 in which it defined as unfair competition any act contrary to fair business practices and dealt with the three categories of acts of unfair competition expressly referred to in Article 10^{bis} (3) of the Paris Convention (acts of such nature as to create confusion, allegations of such nature as to discredit a competitor and indications which are liable to mislead the public), and furthermore with three cases not expressly mentioned in Article 10^{bis}, namely dilution, slavish or quasi slavish imitation or copying and the violation of a trade secret.

The present Resolution deals with certain additional aspects of slavish imitation and similar cases and of the violation of a trade secret, and refers to a number of other typical acts which under certain circumstances are regarded as unfair in a number of countries.

There exist many other business practices which sometimes are expressly considered to be unfair competition in one or more countries. However, in view of the different traditions in different countries, it would be difficult to establish generally applicable recommendations for all these cases. As for the other numerous situations which can be imagined but never be completely covered by any more or less exhaustive list of unfair practices, one must therefore rely on the general rule, that any act contrary to fair business practices should be prohibited.

1. Violation of trade secrets.

In its Copenhagen Resolution, AIPPI expressed its view that the use or disclosure without the consent of its proprietor, of a trade secret received from a person to whom it was entrusted or who obtained it improperly constitutes an act of unfair competition, if the user knew or should have been aware of this fact.

This resolution deals with the situation where the trade secret was received in good faith.

AIPPI observes that:

- 1.1 in general, the use or disclosure of a trade secret received in good faith from a person to whom it was entrusted or who obtained it improperly is not considered to be an act of unfair competition. This corresponds to the minimum standard set by the GATT-TRIPS Agreement according to which the acquisition of undisclosed information by a third party is contrary to honest commercial practices if the third party knew, or was grossly negligent in failing to know, that such practices were involved in the acquisition;
- 1.2 in certain countries the use or disclosure of a trade secret acquired in good faith can nevertheless be prohibited as from the moment that the acquirer becomes aware that unfair practices were involved in the acquisition; the proprietor may also be able to ask for compensation;
- 1.3 however, such prohibition, even if in principle applied, is excluded if, as a consequence of the use by the third party, the trade secret has been disclosed to the public. Otherwise everybody else could use the information and only the person who acquired it in good faith would be prohibited from such use.

AIPPI believes that:

- 1.4 subject to 1.6, the use or disclosure of a trade secret by a third party who acquired it in good faith does not constitute an act of unfair competition;
- 1.5 if, as a consequence of the use by the third party, the trade secret is disclosed to the public, it has lost its secret character. Consequently everybody is free to use it;
- 1.6 if the trade secret has not been disclosed to the public through the use of the third party, who acquired it in good faith, the proprietor can require that the third party not disclose it to the public. Whether and under what conditions the third party can continue using it should depend on all circumstances of fact, such as his having invested substantially in the use of the trade secret.

2. Slavish imitation and similar cases

In its Copenhagen Resolution, AIPPI has stated that slavish or quasi-slavish imitation of a product or service which is not protected by a specific intellectual property right is contrary to honest business practices if it creates a risk of confusion. This is a consequence of the general principle that any act which is likely to create confusion is prohibited. The question whether any other act of slavish or quasi-slavish imitation or of direct appropriation should be prohibited is not dealt with in a number of jurisdictions, in others it is answered in different ways. The following observations can therefore only be guidelines for a possible approach to the problem:

AIPPI observes that:

- 2.1 the great majority of the groups does not believe that slavish or quasi-slavish imitation or direct appropriation should be generally prohibited;
- 2.2 a majority of the groups believes that slavish or quasi-slavish imitation or direct appropriation should in principle be allowed; only under additional specific circumstances should the imitation or appropriation be considered unfair, such as
- creation of confusion
 - parasitic behavior
 - exploitation of reputation
 - improperly hindering the competitor in the exercise of his business

and/or taking into consideration all or some of the following criteria:

- as concerns the imitated product or service,

its originality or distinctiveness, investment, duration and success on the market, degree of reputation, functionality and

- as concerns the imitator,

absence of investment or direct appropriation, intentional or systematic imitation, the availability of other technical or marketing solutions, etc.;

- 2.3 a minority believes that protection, limited in time, should be given against slavish or quasi-slavish imitation, independently from such other requirements, for fashion articles of short-life character possessing the necessary originality. Some groups believe that such special treatment of fashion articles is not justified.

The law of one country affords the protection against slavish imitation of configurations of articles not common to such articles for a period of three years, independently from other requirements;

- 2.4 one group believes that slavish copying should generally be considered as presumptive evidence of parasitism. Another group believes that slavish imitation should only be prohibited if it may cause confusion or damage the distinctive quality of the imitated product or services;
- 2.5 most groups do not distinguish between slavish or quasi-slavish imitation and direct appropriation in the application of the above principles. Direct appropriation is, however, sometimes considered to be more likely to be unfair than unfair than slavish or quasi-slavish imitation.

AIPPI believes that

- 2.6 slavish or quasi-slavish imitation and direct appropriation of a product or service are acts of unfair competition, not only if they cause confusion but also, if they exploit the reputation of the imitated product or service or substantially damage its distinctive quality;
 - 2.7 under such circumstances, no undue and unlimited monopoly right is given but a concrete unfair business practice is prohibited;
 - 2.8 slavish or quasi-slavish imitation of a product or service does not constitute an act of unfair competition to the extent that it is necessary to the technical function of the product or service;
 - 2.9 national law may provide that other circumstances such as those mentioned in 2.2 justify a prohibition of slavish or quasi-slavish imitation of a product or a service.
- 3. Other acts or business practices which under certain circumstances may be considered to be unfair**

AIPPI observes that

- 3.1 there are other acts or business practices which, while not likely to create a risk of confusion, unjustifiably denigrate a competitor or to mislead the public, may be considered unfair. Among these are predatory pricing, inducement to breach of contracts, interference with a competitor's business, violation of regulations, and invasion of privacy. These other acts or business practices also involve consideration of the laws on contracts, anti-trust, labour and consumer protection, and of international treaties.

AIPPI believes that

- 3.2 the adoption of positions with regard to those acts or business practices under the law of unfair competition requires a more thorough study of the relationship of that law to the mentioned fields of law with the context of specific factual circumstances.

AIPPI accordingly decides

- 3.3 to continue the study of such other acts or business practices as may constitute unfair competition.
