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International report for QUESTION B:

What are the criteria that determine the unfairness of so-called “look-alikes”; what are the prohibitions and the appropriate sanctions?

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I. Background and acknowledgements

This international report for the LIDC Congress in Vienna intends to summarise the results of the following national reports concerning the timeless topic of look-alikes in unfair competition law. For alleviation of the overview, this report does not strictly follow the questionnaire’s schedule to allow a more systematic structure which was necessary due to the results of international comparison.

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II. The Definition Of Look-Alike

Imitation is a common phenomenon in our everyday's life. Hence it is not restricted to legal issues concerning commercial behaviour but also relevant in animal kingdom, art or social life. Chameleons imitate the colours of their surrounding area to disguise from enemies. Young children learn by imitating others. Famous paintings were commonly reproduced in earlier times. Possible intentions behind such imitation are self-protection, development and the approach to idols.

These different intentions behind imitating behaviour can also be found in the commercial field. In this respect, the term "counterfeit" is well known for describing an imitation "in disguise" which intends to look "real". Contrary to that, a "look-alike" product intends to look "alike" and hence does not necessarily attempt to confuse others by means of imitation, as it solely intends to approach to certain idols. As will be shown in the following international report, also the intention of further development is a well respected principle.

III. The International Report

1. Scope of Protection

1.1 Additional / substitutional Protection

1.1.1 Basis of protection

All international reports show that besides intellectual property rights also regulations against unfair competition provide for protection for the producer of commercialised products against look-alikes. In this respect it is remarkable that the majority of reports mention special national regulations against unfair competition (either within the national Commercial Codes or within special Acts on Competition Law). Legislations where these regulations have been incorporated within the national Civil Codes exist in France and Italy. In the UK respective regulations are dominated by Common Law.

1.1.2 Imitations – Parasitism

To generalise this protection against unfair look-alikes, a differentiation between two forms, prevalent as imitations (whereas a risk of confusion is a necessary condition; cf 4.5) and parasitism (which is independent from confusion) is outstanding in the reports from France, Luxembourg, Sweden, Lithuania, Belgium, Austria, Germany, UK, Japan and Italy.

The Italian report notes in this respect a current jurisprudential debate about the differences between slavish imitation and unfair look-alike (“parasitism”). Italian Supreme Court decided in 1998 that “lookalike” *Lego* bricks manufactured by a competitor were a slavish imitation of the *Lego* toys and in this case unfair; independently from factual confusion (the competitor had clearly impressed its own marks on boxes and packing). Court argued that functional “compatibility” meant also “formal confusion”. This jurisprudence was modified in 2003 when the Court of Appeal of Milan decided about the same subject matter. *Lego*’s competitor was held liable for unfair competition according to the unfair trade practices’ prohibition, but not under slavish imitation (which was found inconsistent since the competitor’s boxes were once again clearly branded).

1.1.3 Other bases of protection

Besides rules on unfair competition, also regulations on consumer protection, misleading or comparative advertising, criminal law, contract law and the right to a name have been mentioned in some reports as other foundations of protection.

1.1.4 Unfair Competition as additional protection

With regard to the main protection by regulations on unfair competition, it is outstanding that the majority of reports explicitly mention regulations against unfair competition besides IP rights as additional basis of protection (in case the relevant conditions are met; considering the differences in protection).

On the contrary, the report from Luxembourg holds that regulations against unfair competition are no additional basis. Only if the owner of an intellectual property right refuses to rely on this basis, proceedings according to unfair competition law will be successful. A comparable point of view in Germany was given in the past. Due to different aims of protection and legal consequences, the idea that special protection according to intellectual property rights takes priority over unfair competition ("*Vorrangthese*") meanwhile has been reconsidered in Germany.

The report from UK refers to this question by alluding that "look-alike" products normally would not be regarded as "counterfeits" and hence an action for passing-off would neither be an addition nor a substitute to a counterfeiting claim.

1.1.5 Unfair Competition as substitute basis of protection

On the other hand, national reports from France, Sweden, Lithuania, Czech Republic, Austria, Hungary, Switzerland and Italy explicitly hold that claims based on unfair competition laws can be seen as substitute basis of protection (especially in cases where no (more) IP rights are given; considering the differences in protection).

In case the possibility to rely on IP rights is very uncertain the Swedish report even recommends relying on the respective Marketing Practice Act. Furthermore the Austrian report holds that claims based on unfair competition law can even provide for protection in cases, where no intellectual property rights exist at all.

As a contrary peculiarity, the report from Belgium mentions "*l'effet reflexe du droit de la propriété intellectuelle*". The breach of law in principle constitutes an unfair behaviour if it harms another salesperson. When it comes to an unregistered sign, a significant part of the Belgian doctrine and legislature are of the opinion that such unregistered signs may not enjoy a protection based on unfair competition law, which is comparable with protection based on IP rights. Anyway, the Belgian sweeping clause can be used as basis to proceed against confusion or parasitism in such cases.

1.2 Claims

Due to the typical civil character of actions based on unfair competition law (cf 2.), the national reports basically answered this question with regard to civil claims. In

this respect, reports from Luxembourg, Sweden, Latvia, Lithuania, Czech Republic, Hungary, Spain, China, Austria, Germany, Japan and Estonia explicitly mention the claim for **cessation** of infringing action as well as claims for **damages** (cf 5.2). It is outstanding that according to the report from China, the immediate stop of infringement can be requested in civil as well as in administrative proceedings (cf also 2.).

The report from UK addresses the problem that in some instances there is no provision for owners of IP rights to take their own legal action. In cases of "consumer protection" legislation, enforcement is placed exclusively in the hands of public bodies, where the resources (in terms of finance and man-power) are insufficient and where there may be little interest in protecting the intellectual property rights of traders. Such "consumer protection" measures are for instance the Trade Descriptions Act 1968 and the Consumer Protection from Unfair Trading Regulation 2008 (which implemented the European Unfair Commercial Practices Directive 2005/29/EC).

Basically, reports from Latvia, Lithuania, Hungary, Japan and Estonia explicitly mention the **destruction** of goods. In this respect, the German report alludes to a problem concerning destruction of stored goods. As the pure storage of look-alikes does not constitute an acute incident within commercial intercourse, a claim solely based on unfair competition law is hardly arguable. Hence, destruction of such infringing goods is rather based on trademark infringements.

The **recall** and the definite **withdrawal** of the infringing goods from commercial circulation can be requested in Hungary, as of 1 September 2009, similarly to IP infringement cases.

1.3 Freedom of trade and industry

1.3.1 A basic principle

Reports from France, Luxembourg, Sweden, Lithuania, Czech Republic, Spain, China, Austria, Germany, Belgium, UK, Japan, Italy and Switzerland explicitly confirm freedom of trade and industry as basic principle but simultaneously consider restrictions or abuse of this principle. Although imitations are basically free, restrictions of this freedom due to IP rights or regulations against unfair competition are possible. On the other hand, according to the reports from Lithuania and Latvia, limitations of freedom of trade and industry are not provided in Laws and practice.

1.3.2 Balance of rights and interests

The principle of free imitation (resulting from freedom of trade and industry) can be seen important to generate economic benefit. Consequently the above mentioned reports describe freedom of trade and industry as necessary instrument to

balance rights and interests of producers and other market players also for reasons of public interest.

The report from Lithuania holds that freedom of trade and industry may also be used in support of the plaintiff, in particular to protect earlier designations of undertakings. In this respect, the Lithuanian Court of Appeal held that a trademark registration in bad faith performed an unfair action which conflicts with the principal of fair trade and industry (Lithuanian Court of Appeal, 4th Nov 2005, 2A-50/2005 –“*Technoservice*”).

1.3.3 Defence against a claim

The Spanish doctrine calls a possible defence against a claim of unfair look-alikes the “*impossibility clause*”. In this respect the legal dispute *Pronovias vs. Exponovias* is mentioned where the Provincial Court of Barcelona held that franchise contracts used in the industry of bride dresses were all quite similar, regardless of who was the material author of them. Moreover it held that the contractual scheme is repeated in the business practice, so the similarities of the clauses were justified.

Comparable to this “*impossibility clause*”, the Austrian report mentions certain criteria which have been elaborated by prevailing case law to evaluate, if unfairness of a look-alike is given or not. Accordingly, the reasonableness of different creation (“*Zumutbarkeit einer andersartigen Gestaltung*”) as well as existence of competitive peculiarity (“*wettbewerbliche Eigenart*”) are essential decision criterions. Whereas the reasonableness of different creation respects the interest in further economic development, the request for competitive peculiarity intends to prohibit the monopolization of common elements.

2. Nature of the action

2.1 Character of the action

All submitted national reports hold that an action against the commercialisation of copies is civil. Besides such civil claim, reports from Sweden, Latvia, Lithuania, China, Germany, Hungary, UK, Italy and Estonia also mention administrative and/or criminal proceedings in principle. With regard to the different characters of the action, the following peculiarities were reported:

2.1.1 Civil

The typical actions against the commercialisation of copies have been classified in the Swedish report as “special branch of civil procedure” due to their “exotic” features. One such peculiarity is that class action and the *Consumer Ombudsman* have priority to claim payment of a market disruption fee. The Consumer Ombudsman is an official appointed by the Swedish Government to safeguard the col-

lective interests of consumers by investigating complaints by citizens. By contrast to individual traders, the Ombudsman can only bring an action under the Marketing Practices Act or the Product Safety Act (2004:451) to repress counterfeit trade.

The civil claim in Luxembourg can be rapidly filed even without proof of loss or financial damages, intention or negligence. A decision can be expected within two or three weeks. The judge ("*le Président de la chambre commerciale du Tribunal d'arrondissement*") can order to publicise the decision, but an order concerning payment of damages and interests is not possible. Such claims can only be requested in main proceedings but these are rare in Luxembourg.

2.1.2 Administrative

The report from China mentions that typical claims are civil and administrative, whereas it is not relevant whether it is a minor infringement or a serious one. The infringed party has the right to apply for both actions against the producer of the look-alike product.

Contrary to rights provided by intellectual property, the Swiss unfair competition law does not provide an intervention of administrative authorities, e.g. customs.

In Hungary, competent authority imposes administrative fine as sanction in cases of advertising of goods that are similar to the goods manufactured by a given enterprise in a wilfully deceptive manner, which misleads the consumer into thinking that, contrary to the actual facts, the product in question was manufactured by the same enterprise (the manufacturer of the original product). This rules constitutes the implementation of the black list of the UCP Directive.

2.1.3 Criminal

The report from Lithuania covers not only civil but also criminal proceedings. Unfair competition claims in relation to commercialisation of products do not constitute an independent ground for a criminal action. Criminal liability is only arguable if violation of intellectual property rights is given. However in such cases, a civil claim for compensation of damages can be submitted in a criminal action. If relevant for the particular case, such claim may include claims for unfair competition. The benefit of such combination is that contrary to civil proceedings such claim is not subject to stamp duty and may be more time efficient.

In Hungary, Criminal Code sanctions acts of passing-off. However, no relevant case law has emerged when an unfair market practice amounts to a crime.

2.1.4 Application with customs

The Estonian report holds the further possibility of application with customs in order to prevent importation and exportation of counterfeit goods. In such cases a

holder of intellectual property rights is not party to the procedure but has to provide its opinion as to the authenticity of goods.

2.2 Chances of success

2.2.1 No generalisations

As expected, all reports assess the chances of success as depending on the facts of the single case and on how well the claims are founded. Hence it is not possible to make generalisations.

2.2.2 Numerous decisions

The reports from Luxembourg, Spain, China, Austria, Germany, Hungary, Belgium and Italy confirm that claims based on unfair competition are well represented in their national legal practice. The German report in this respect mentions a long history in legal practice concerning look-alike products. Relevant German case law dates back to an early decision of the German Federal Court of Justice in 1959 concerning "*Nelkenstecklinge*".

2.2.3 Rare use

On the other hand, reports from Sweden, Lithuania, UK, Japan and Estonia admit that claims based on unfair competition against look-alike products are rarely used as (sole) grounds for such cases.

The report from Japan notes that Article 2 (1) (iii) of the Unfair Competition Prevention Act strictly requires that the configuration of goods in question should be identical to the imitation. Hence decisions accepting plaintiff's claim are small in number. Accordingly, producers of goods hesitate to bring actions against their competitors in Japan.

3. Necessary conditions for an action

3.1 The right to sue

3.1.1 Damage of legitimate interests

Concerning the question of the right to sue, a damage of interests is a main condition throughout all national reports. The Czech report mentions in this respect any person "*whose rights have been infringed by the unfair competition*". Lithuania describes the plaintiff as "*any undertaking considering that its legitimate interests are violated*". This is comparable to the situation in Spain where "*any person who participates in the market, whose economic interests are affected or threatened*" or in Sweden where "*any trader having a legitimate interest*" is entitled to bring an action. The report from Switzerland mentions "*economic interests*" in this respect.

As a peculiarity, the report from Japan mentions that even the likelihood of damage can be sufficient as *"a person whose business profit has been injured or is likely to be injured by unfair competition"* can bring an action.

3.1.2 Market participation

Besides damage of interests, Latvia also demands for market participation, as the *"market participant who is harmed by the unfair competition activities"* has the right to sue.

The term "market participant" is also used as legal element in Art 2 para 3 of the Austrian Unfair Competition Law, which addresses to misleading commercial practices. This term in Austria means not only competitors but also other entrepreneurs as well as consumers.

Comparable to this, the report from Switzerland holds that it is necessary for the application of unfair competition law that the unfair act objectively has an (positive / negative) impact on the market, i.e. regarding the acquisition of customers or the gain / loss of market shares. Hence a certain "market" is requested.

3.1.3 Competitive relation

Other national reports explicitly mention a competitive relation as relevant criterion. For instance in Germany and Austria do competitors have the right to sue, but there are no high demands on this term, as a potential competitive relation or such relation *ad hoc* is sufficient. Also the Italian report clarifies that this legitimacy pertains exclusively to *"the competitor against whom the commercial unfair behaviour is directed"*. Under Hungarian law, the plaintiff as competitor shall be present on the Hungarian market, otherwise there is no legal standing even if the foreign undertaking's activity are known by Hungarian consumers.

In France, *"any professional victim of the unfair act"* basically has the right to sue. The national report alludes to the current question in France whether the plaintiff has to prove the existence of a competitive relation between the parties or not. In cases based on parasitism, such proof is not necessary but earlier case law requested the proof of a competitive relation in cases of imitation. A recent decision now held on the contrary that such proof of competitive relation (between a distributor and a producer of yoghurt) was not necessary (Cass. Com February 12th 2008 – *La Fermière / Yoplait*). The continuance of this case in France remains to be seen (consequently also for the question of capacity to be made defendant; cf 3.2).

The report from Luxembourg holds that the jurisdiction is very strict with regard to the term competitor according to Art 14 of respective Unfair Competition Law. Accordingly a competitive relation is only given in such cases, where two businessmen directly offer comparable goods or services to the (at least partially same)

target public for the satisfaction of the same needs. Consequently the economic level and the relevant public are essential criterions of a competitive relation in Luxembourg. This also effects that an action can not be brought by an individual consumer.

3.1.4 Individual consumers

Individual consumers are basically not entitled to bring an action in Luxembourg, Sweden, China, Austria, Germany, UK, Hungary and Japan.

On the contrary, consumers basically have the right to bring a claim for cessation in Belgium according to Article 94/5 of the Belgian Act against Unfair Competition, if legitimate interests are given and if the illegal copy fulfils all necessary conditions ((1) being contrary to professional diligence and (2) being able to substantially influence the consumer's economic behaviour).

According to the Swiss report, clients whose economic interests are affected by the unfair act are entitled to bring actions for prevention, cessation or declarative statement of such act.

The report from Estonia holds that an individual consumer can bring a complaint to the police or the Consumer Protection Board, in particular if he was intentionally misled that he was buying an original instead of a counterfeit.

3.1.5 Non-exclusive distributors and licensees

In Japan, not only individual consumers but also non-exclusive distributors have no right to bring an action. Also in China, the ordinary licensee can't – without authorisation of the trademark owner – bring an action, but according to general principles of the Chinese Civil Code and the Civil Procedure Law, those who are authorised by the qualified litigation subject always have the right to sue. Similar to this, also the report from Switzerland holds that a licensee has due to contractual authorisation the right to sue.

3.1.6 Other

Moreover some reports mention that associations to promote economic interests of entrepreneurs, Federal Chambers, Associations for protection of consumers, qualified entities of another Member State of the European Union have the right to sue.

3.2 The capacity to be made defendant

3.2.1 General statements

Throughout numerous reports, this question was put into perspective as the capacity to be made defendant basically depends on the facts of the individual case, nature of the act and the legal basis of the claim. Hence, please note that this report intends to give an overview and no absolute answers.

3.2.2 Direct infringer

In Lithuania, *"any legal or natural person that carried out the acts of unfair competition and violated rights and interests of other undertakings/consumers"* can be made defendant. Hence the manufacturer, the wholesaler or retailer principally can be sued. This is also explicitly mentioned in the reports from Luxembourg, Sweden, Lithuania, Czech Republic, China, Germany, Belgium, UK, Japan, Hungary, and Estonia.

The German report defines the defendant as *"anyone who makes unfair practices in business"*. The Japanese report holds that defendant for the claim under Art 2 (1) (iii) may be a person who *"produces, assigns, leases, delivers, displays for the purpose of assignment, leasing or delivery, imports and exports the goods in question"*. The report from Switzerland mentions *"anyone who provoked or menaces to provoke by means of his behaviour damage of fair competition"*.

As a peculiarity, the German report refers to a competitive duty to maintain safety (*"wettbewerbliche Verkehrssicherungspflicht"*). German Case law holds that anyone whose business practices realise a danger that third parties may infringe interests of market participants (which are protected by unfair competition law), is obliged to reduce these dangers as far as possible and reasonable (German Federal Court of Justice 2007; concerning writings that are harmful to minors on eBay).

3.2.3 Joining participants / instigators / assistants

"Any person who has committed the unfair practice, or has induced it, or cooperated with those who have committed it" can be made defendant according to the Spanish report. This applies to Germany and Austria also as not only direct infringers, but also joining participants and instigators can be taken to Court. According to the French report, *"any undertaking that participated in the product's market-launch"* can be sued.

The Austrian report holds that a claim against persons who are merely assisting in the infringement requires that they deliberately assisted the direct infringer, in awareness of the relevant facts and the unlawfulness of the infringement. Comparable to that, the liability of such indirect infringers in Germany requests that wilful assistance is given.

3.2.4 Lack of knowledge

According to the Japanese report, Art 2 (1) (iii) of the Unfair Competition Prevention Act (cf 3.2.2. above) is not applicable to those who have received goods that imitate the configuration of another person's goods by transfer and – at the time of receiving such goods by transfer – had no knowledge that the goods imitated the configuration of another person's goods if such lack of knowledge was not based on gross negligence.

3.2.5 Competitive relation

As far as the French report mentions the current question of need to proof existence of a competitive relation between the parties, please see 3.1.3. above. Also respective rules from Luxembourg have to be considered.

Moreover the Italian report holds that an action based in Art 2598 of the Italian Civil Code requests that the parties are competitors, meaning that they should operate in the same market level (distributor against distributor; producer against producer).

In this respect, also the German report holds that the goods concerned have to be those of competitors, although it is not relevant whether the producer of the original and the defendant act on the same economic level. Furthermore a potential competitive relation is sufficient.

As a peculiarity, the report from Switzerland explicitly mentions that a relation of concurrence between the parties is not necessary as it is sufficient that the behaviour has an influence on competitive relations between competitors or vendors ("*fournisseurs*") and customers.

3.2.6 Recommendations

The Swedish report recommends targeting the production of look-alikes whenever possible. According the report from Spain, a lawsuit should be filed against the principal "*if the unfair practice is performed by workers or other collaborators of the principal as part of their functions and contractual duties*".

3.3 Time limits

The answers to this question showed that consistently significant differences exist. As a peculiarity in the Swiss report, actions for prevention, cessation and declarative statement of an unfair act are not prescribed, but the right to execute them depends on a current or imminent damage. Moreover the following reports explicitly mention that there are no special time limits for filing an action based on unfair competition law: Latvia, Czech Republic, UK, Italy and Estonia. Hence general

provisions for filing an action are applicable in these countries. To alleviate these different situations, this report categorises several time limits as follows:

3.3.1 Time limits between 6 Months and 2 years

The shortest time frames are given in Germany and Austria, where claims for cessation and destruction must be filed within 6 months. In Austria this time starts from the day the entitled person noticed the infringement and the infringing person (but anyway is precluded after 3 years).

Spanish Law sets a time frame of 1 year since the action could have been performed and the entitled plaintiff was informed of who committed the unfair practice. Furthermore a second time frame of 3 years since the practice was committed exists in Spain. Civil claims and administrative actions in China can be brought within 2 years as of the date that the plaintiff knew or ought to know the acts of infringement.

3.3.2 Time limits over 2 years

Except claims for damages or cessation and destruction, actions in Germany are also subject to a time limit of 3 years. Also Lithuanian Law provides for a time limit of 3 years from the date of infringement (whereas an absolute prescription of 10 years is also given). Claims in Latvia based on infringement of a trademark must be filed within 3 years after the claimant became aware or had to become aware of the infringement. A claim according to Art 2 (1) (iii) Japanese Unfair Competition Prevention Act must also be brought within 3 years dating from the first sale of goods within the territory of Japan.

The UK report holds that in case of prosecution under the 2008 Regulations, a time limit for the commencement of the proceedings exists, which is 3 years from the commission of the offence or 1 year from its discovery by the prosecutor whichever is the earlier.

Not only in Italy but also in France and Hungary, a claim based on unfair competition has to be filed within 5 years after termination/verification of the infringing acts. Time limit for a claim for market disruption fee in Sweden is also 5 years from the end of violation (and such fee has to be executed within 5 years from the time when the ruling became final).

In Belgium, an action for cessation can be brought as long as the seller has an interest in termination of the unfair commercial practice. Such interest is no more given, if the unfair commercial practice has been terminated.

The report from Estonia mentions a general limitation period of 10 years concerning a claim for refrainment which commences with the violation of the obligation to refrain. Also the report from Luxembourg provides for a 10 year time limit. On the

contrary, as far as the infringing act is finished, an action is not accepted in Luxembourg, unless its renewal can be expected.

3.3.3 Urgent nature of action

With regard to mandatory injunctions or injunctive relief, the Swedish report holds that there are no specific time limits but alludes to the "urgent" nature of these actions. So does the report from UK also allude to the fact, that injunctions must be sought promptly because if an action is delayed too long, the claimant may become barred (by acquiescence or estoppel) from taking proceedings.

Also the Czech report mentions in this respect that long delays (especially in case of preliminary injunctions) may lend support to conclusions that the claimed legal protection is not urgent or – as the case may be – necessary.

3.3.4 Cases of continued violation

In cases of continued violation, reports from France, Sweden, Lithuania, China, Switzerland, Germany, Hungary, and Austria explicitly hold that respective time limits start from the actual end of violation.

3.3.5 Time limits for claims for damages

In Switzerland, claims for damages expire one year after knowledge of the damaging occurrence and but independently from such knowledge in any case 10 years after such occurrence.

According to the Austrian and the Lithuanian report, claims for refunds or damages are possible within 3 years. So is it in Estonia, as a claim for damages can be brought within 3 years as of the moment when the entitled person became or should have become aware of damage and of the infringing person (but anyway not later than 10 years; cf 3.3.2 above). In Estonia, the time limit of 3 years is not applicable as far as unjust enrichment is concerned.

In Sweden, compensation for damages has to be claimed within 5 years from the date when the alleged damage first occurred. In Italy and Belgium these claims must be filed within 5 years from the verification of the infringement. For Belgium, an absolute time frame of 20 years after occurrence of the loss is given.

According to the report from UK, claims for compensation of damages expire after a period of 6 years.

4. Criteria for assessing an unfair copy

4.1 Fundamental elements of unfairness

4.1.1 Basic freedom of imitation

Due to the freedom of trade and industry (see 1.3 above), consequently a basic freedom of imitation exists. Accordingly, each individual case has to be analysed to evaluate the unfairness of an imitation. This point of view is explicitly confirmed by the French and the Spanish report.

4.1.2 Core values

The Swedish report mentions legality, decency, honesty and truthfulness as basic principles of the national general clauses to evaluate unfair behaviour. Such core values can also be found in the report from China, as Art 2 of the Anti-Unfair Competition Law establishes the principles of voluntariness, equality, fairness, honesty and credibility as well as the general observed business ethics.

4.1.3 Unavoidability

The Spanish report holds as one of the main principles that if confusion risk, imitation, or exploitation of reputation is unavoidable, no unfairness can be given ("*unavoidability clause*"). This is a logical consequence from the general principle of free imitation (cf 1.3).

4.1.4 Other

Although it would be imprecise to define the exploitation of reputation as a fundamental element of unfairness, the national overview shows that exploitation of reputation can be such an unfair criterion in certain cases. The fundamental idea of unfair exploitation of **reputation** is not only explicitly mentioned in the Spanish report but also in reports from Lithuania, Austria, Germany, Switzerland and Italy. The Swiss report mentions in this respect the criteria of association or "impression of substitutability" ("*en remplacement de*", "*aussi bon que*").

Some reports also explicitly mention the **distinctiveness** of the imitated product (cf also 4.4.1 below). The Hungarian report points out that the plaintiff shall prove that (i) the appearance of the allegedly copied product is characteristic; (ii) this characteristic appearance is known by the consumers; and (iii) the appearance of the competing product identical or similar to such an extent that consumers would associate such competing product with the original product, thus resulting in the existence of an actual likelihood of confusion.

A further remarkable point in some reports is the element of **cost savings** (Lithuania, Spain, Germany, Austria, Switzerland). The Spanish report mentions that taking unfair advantage of someone else's work is based on the idea of cost

savings (which constitutes competitive advantage). Such cost saving requires a considerable amount of investment and savings from the defendant related to fabrication or production. The German report specifies that the element of cost savings is no independent criterion for assessing an unfair copy but it can be respected within the circumstances of each individual case, just like the costs of the original's production and their amortisation. A comparable idea is respected in Belgium, Switzerland, Hungary and also in Austria, where a copy generally is unfair if the original's creator is deprived of harvesting the fruits of his work.

4.2 Burden of proof

Numerous national reports specify that the burden of proof is on the **plaintiff** (France, Luxembourg, Czech Republic, China, Germany, UK, Japan, Hungary, and Italy).

As a **general rule** in Lithuania, Austria, Belgium and Estonia holds, every party has to (hold and) to prove elementary facts for their action.

Shift of the burden of proof from plaintiff to defendant ("Beweislastumkehr") can be given. In Austria, such is provided in Art 1 para 1 until para 3 Unfair Competition Law. It states that the defendant in proceedings for injunctive relief and refund of damages has to prove the correctness of his assertions in conjunction with a commercial practice, if such request is appropriate due to the circumstances of the individual case.

Such (partially) shift is also given in cases of civil liability in Lithuania, as Civil Law recognises a presumption of fault. So it is the defendant to prove the opposite whereas the plaintiff still has to prove the unlawful action, damage and causation between the latter.

4.3 Legal / jurisdictional / other presumptions

The reports from France, Luxembourg, Latvia, Czech Republic, China, Belgium, UK explicitly hold that there are **no** presumptions. On the contrary, the Spanish and the Swiss reports hold that with regard to the basic principle of free imitation, the fairness of imitation can rather be assumed than its unfairness.

According to Austrian Supreme Court, it can be assumed that due to the use of a sign which is identical or similar to a well known trademark bad faith can be assumed as the exploitation of reputation is obvious (Austrian Supreme Court November 20th 2005 – *Red Bull / Red Dragon*). In such cases, the defendant would have to show that he is entitled to this use due to special reasons.

The German report refers to a disputable presumption in case law that the imitator had knowledge of the original's existence if he offers his product after the original was launched (German Federal Court of Justice 1998 – *Trachtenjanker*).

4.4 Reproduction ("Parasitism")

4.4.1 General elements of an unfair copy (besides similarity)

According to the report from Czech Republic, in principle it will suffice to demonstrate that the original and the look-alike are similar. However culpability and other circumstances may have an impact on the amount of the sanctions.

The report from Luxembourg defines an unfair copy as "*depending on know-how, intellectual effort or financial investment which allows saving costs of conception or profiting from the competitor's reputation*", whereas a risk of confusion is not requested. Also the French, the Luxembourgian and the Belgian report requests such **economic value** and that the copied product is the fruit of creative effort which presents an investment of time and money.

Additionally also a certain degree of **distinctiveness** can be seen as fundamental element of an unfair copy. Sweden, Lithuania, Spain, Germany and Austria ("*wettbewerbliche Eigenart*"), UK, Switzerland, Hungary and Italy basically bring this up in their reports.

The Swiss, the Austrian and the German report define it as a necessary condition that the copied product has already been put on the market or at least has been promoted in the country. This request is linked to a **certain degree of familiarity** ("*notoriété*") which is explicitly required in France, Sweden, Austria, Germany, Hungary and Italy.

4.4.2 Technical or functional circumstances

Nearly all reports explicitly confirm the basic principle that the dependency on technical or functional circumstances excludes the unfairness of a copy: France, Luxembourg, Sweden, Lithuania, Czech Republic, Spain, China, Austria, Germany, Hungary, Belgium, Switzerland, UK, Japan, Italy and Estonia. Only the report from Latvia holds that the assessment depends on each individual case and hence no precise criteria can be determined.

As a matter of course, various reports set limits to this basic principle: In such cases the imitator anyway has to take all measures to prevent misleading other undertakings or consumers as to the identity of the manufacturer of the good (Lithuania). Imitation is only lawful if no protection by patent right or as technical secret (China), or other IP rights is given (Italy, Germany). It is also relevant if competitive peculiarity of technical (but replaceable) features is given (Germany).

The French report moreover mentions a case where the unfairness of a copy of funerary monuments was refused as it was depending on obligatory uniformity that was imposed by respective municipality.

In Hungarian practice, even if the technical features of the imitation products have been altered to such an extent that the alleged patent infringement can no longer be ascertained, the fact of imitation can still be established on the basis of the similarity of the packaging materials which are generally used in the market.

4.5 Risk of confusion

4.5.1 Extent of consideration

The report from Luxembourg holds that the risk of confusion can be taken into account but is no necessary criterion for assessing whether a copy is unfair or not. Also the Swedish and the Lithuanian reports explicitly mention that a risk of confusion is necessary to fulfil certain elements of statutory definitions but anyway is not necessary in any case because an independent basis against unfair competition exists. This basically also applies to Austria, Germany, Belgium, Hungary, Switzerland, Japan and Italy.

According to the report from UK cases based on the 2008 Regulations request a risk of confusion whereas an action for passing off and also for prosecution under some of the provisions of the 2008 Regulations request deception.

The report from Estonia holds that the wording of clause 50 (1) 1 of the Competition Act indicates that it is not necessary to prove that actual confusion has taken place.

4.5.2 Assessment of risk of confusion

Reports from France, Spain and Estonia confirm that no absolute rule exists as the question if likelihood of confusion is given depends on an individual analysis. However, in Luxembourg, Latvia, Lithuania, Czech Republic, Spain, Switzerland, Austria, Germany, Belgium, UK, Italy, Hungary and Estonia an **overall global approach** has to be made, whereas (comparable to specific regulations in trademark law) the perception of the average consumer has to be taken into account. The perception of the relevant public is also relevant in China.

Following the European Case Law, the **average consumer** is normally reasonably well informed and reasonably observant and circumspect. In cases, a product is directed to **specialised groups** (of consumers), particular characteristics of these average members have to be taken into account (see reports from Switzerland, Sweden, Luxembourg, Austria, Germany and Belgium). According to the reports from Sweden, Germany, Austria, Hungary and Czech Republic also the **fading memory** of a products appearance and the fact that consumers can seldom compare the original and the imitation next to each other have to be considered. In

this context, the Swiss report holds that the grade of attention can vary, depending on each category of product.

The German report mentions in this respect an interesting case concerning "*Blendsege*" in which the German Federal Court of Justice held in 2002 that it can be relevant from which point of view the beholder usually sees a product. Comparable to this idea, likelihood of confusion can be excluded according to the Austrian report if territorial distances or significant differences in the product get-up are given.

As further general assessment factors, reports from China and France collectively mention besides others also the similarity, market recognition or uniqueness of the product ("distinctiveness") and the status of the whole market.

4.5.3 Proof

According to reports from France, Lithuania, Czech Republic, Spain, China and Belgium basically **any evidence** can be explicitly brought forward to show the risk of confusion. Correspondingly, not only in these countries but also in Estonia, Italy, UK, Latvia, Hungary and Luxembourg testimonies or surveys are admitted. In this respect, only the Swedish and the Chinese reports raise the questions whether survey reports are qualified as objective proof or not due to controversial credibility of private investigation companies.

Exemplary, comments of third parties on the internet are mentioned in the Chinese report as further possible evidence. Generally explanations of third parties and expert reports are mentioned in the Lithuanian report. The German reporter holds that statements of Chambers or Organisations may be submitted.

In Switzerland, Germany and Austria, the question of likelihood of confusion is a question of law which basically can be answered with **life experience**. The judge has to find the common opinion, if necessary with the aid of certain evidence. The Austrian literature argues that the question of likelihood of confusion is rather a factual question which can be proved by surveys.

According to the reports from Sweden, Latvia, Lithuania, Czech Republic, Belgium, UK, Italy and Estonia the deception of one single person is (at least likely to be) not sufficient for a likelihood of confusion as such risk depends on the **hypothetical global perception of the relevant public**.

In return, it is a well disputed fact in Austria that the misleading of one market participant is sufficient to fulfil the criteria of Art 2 Unfair Competition Law. A comparable situation is given in Switzerland as a judge can confirm a risk of confusion based on the misleading of one single person due to the fact that such is a question of law.

4.6 Depreciation

The reports from France, Luxembourg, Latvia, Lithuania, Germany, Belgium, UK, Japan, Switzerland, Italy, Hungary and Estonia explicitly hold that inferior quality or a lower price is **no absolute criteria** of unfairness but can be an additional manifestation of unfair behaviour. Anyway these elements may be relevant for damages to be assessed.

4.6.1 Lower quality

With regard to a product's lower quality, such is no absolute criterion for unfairness in Austria. Also in China, no respective provisions exist. The German reporter mentions in this respect the "*Le Corbusier*" decision from 1987 which holds that unfair damage of reputation due to the sell of a copy of minor quality is given, if the original's good reputation is based on its high quality. Also the Czech report holds, that lower quality may in some cases be argued as depreciation of the original.

The Swedish report alludes here to the *Gillette* case, where the European Court of Justice held in order to establish whether a commercial conduct is in accordance with honest business practices that it must be taken into consideration whether third party's products have the same quality as the proprietary products. Moreover, lower quality is a question of product safety.

4.6.2 Lower price

The Spanish report mentions the unfairness of a lower price if (1) it conduces consumers to a mistake about level of prices of other products/services of the same undertaking (2) there is the intention to discredit the image of a competitor /group of competitors or (3) it is a strategy aimed at eliminating a competitor or a group of competitors. The later is also respected in China.

The undercutting of a price in Germany may be considered as unfair practice if the original is charged with development costs that result the price difference between the copy and the original. In Austria, the possibility to offer a copied product/service at a lower price is typically considered as a case where the creator is deprived of his returns. Such effect can be seen as allusion to unfair practices.

5. Compensation conditions

5.1 Termination or withdrawal of a product

In China, Estonia, Austria, Germany, UK, Switzerland, France, Czech Republic, Italy, Lithuania, Hungary and Latvia **interim measures** basically may be applied during any stage of the civil procedure as well as prior to submission of the civil

claim. Also in Hungary, Spain and Lithuania there is the possibility during distribution stage to demand the withdrawal of those products and elements that have been object to the unfair practice.

In Sweden, also the mere advertising of look-alikes may be prohibited before the actual market launch of the product occurred as far as the relevant public has somehow actually been exposed to the look-alike. Even without containing any particular rules regarding urgent procedural matters, the whole administration of justice under Swedish Marketing Practice Act constitutes a short cut to justice as a Court may decide on interim measures in urgent cases.

The German report mentions that – based on unfair competition law alone – no destruction of goods can be requested in case of pure storage of look-alikes as only offering and promoting of unfair look-alikes can be contested.

According to the report from China, there is no express provision on the active termination and withdrawal of a product during the distribution stage. Also in Belgium and Luxembourg, only cessation but no withdrawal of products can be requested.

In Hungary, similar rules apply for interim injunctions in competition cases as in IP matters (i.e., deadline for court proceedings, scope of claims enforceable as interim injunction).

5.2 Financial compensation

5.2.1 General principles

The reports from Lithuania and UK mentioned general principles concerning financial compensation. In Lithuania damages incurred must be compensated in full, whereas in unfair competition cases only claims for compensation for pecuniary damages are allowed. Accordingly, damage to brand image or reputation must be evaluated in financial terms.

In the UK the party affected by the unfair competition cannot obtain any damages or other remedy under the 2008 Regulation as only enforcement authorities may bring such proceedings. In cases of passing-off, remedy of damages assessed on the basis of a notional royalty is available in the UK.

5.2.2 Causality and intent or negligence

According to the reports from Austria, Spain, France and Luxembourg claims for damages explicitly require causality between the damage and the defendant's unfair behaviour which must be based on intent or negligence. Comparable to that,

the report from Switzerland holds that the proof of the defendant's bad faith is requested for a claim for compensation of earned profits ("*la remise du gain*").

5.2.3 Calculation

According to the Swedish report, the compensation to a trader is commonly calculated on the loss of the sales or reduced turn-over, which in the end is based on what the Court considers to be reasonable (cf 5.2.4). Also China, France, Switzerland, Italy and Germany respect the detrimental effect in the producer's turnover and his loss of profits.

As a peculiarity, German Case law developed a "triplex calculation of damages" ("*dreifache Schadensberechnung*") which allows besides the (1) concrete estimate of loss in financial terms, also (2) a hypothetical license fee or (3) the restitution of earned profits. The plaintiff has to choose one of these claims.

In China, calculation of damages is based on respective principles in patent Law and Trademark Law. Comparable to this, in Sweden alternative grounds of compensation have been suggested (e.g. the costs of re-establishing the reputation by means of marketing communication or hypothetical license fees) but so far Swedish Courts did not decide what arguments can be accepted

5.2.4 Earned profits

Basically in Austria, Germany, Hungary, China, Lithuania and Latvia compensation for earned profits may also be requested. The report from Switzerland differentiates in this respect between an action directed to the release of gains ("*la remise du gain*") and an action directed to restitution of illicit enrichment ("*restitution de l'enrichissement illégitime*"). On the contrary, according to the reports from France and Luxembourg, such profits are not to be considered.

5.2.5 Evaluation by Court

Bearing in mind the above mentioned principles of damage calculation, according to the reports from Luxembourg and Sweden in the end the Court decides about the concrete (financial) degree of damages. In practice, this does also apply to Austria.

5.3 Judicial publication

According to the report from Switzerland, such publication of judgement can be considered as principal penalty as well as complementary penalty. In Sweden, Lithuania, China and Austria publication is not considered to compensate unfair competition. In Germany and Austria such publication will only be granted if the winning party has protectable interests in it. Also in Spain the publication of a ju-

dicial resolution is a "second best choice", but according to the Spanish doctrine publication especially will take place when damages directly affected the prestige or image of the affected.

Also in China, Latvia, Czech Republic, France, Luxembourg and Italy, publication is only a complementary form of compensation which is also aimed at informing the consumers in order to eliminate the market effects of the confusion. As a peculiarity in Italy, publication may be requested even in an urgency procedure.

On the other hand, in Hungary, the plaintiff may request publication in case of violation of unfair competition law, as objective sanction, without fulfilling any further requirement. The court will define in the judgment the method of the publication.

5.3.1 Form of publication

According to reports from Spain and Austria the concrete place and way of publication are set by the judge. According to the report from the UK the court's order may include "appropriate measures" for dissemination of the information concerning the decision, including displaying the decision and publishing it in full or in part.

6. Advisable evolution

6.1 Legislative evolution

The German report explicitly holds that there is a need for European harmonisation in business to business relations. Due to the same primary purpose of Unfair Competition Law in Austria (protection of interests of consumers and competitors as well as protection of public interests) this need has also been brought up in Austrian literature.

Moreover, Austria notes the need of European harmonisation concerning the definition of look-alikes as well as common schedules of unfairness elements. Additionally, uniform time frames for filing an action are requested.

The Hungarian report proposes that similar effective remedies shall be granted as in case of IP infringement, including sanctions and enforcement proceedings (based on the model of EU 2004/48/EC Enforcement Directive). Paragraph 13 of the preamble to Directive suggests that the member state may extend the scope of application of the Directive to unfair competition matters.

As there are arguments, that the UK does not comply fully with Art 10^{bis} of the Paris Convention the report from UK wishes for a proper implementation and holds that remedies provided by consumer law are insufficient for businesses affected.

The Japanese report holds that legislative evolution shall provide protection for copies of any information offered with service.

6.2 Judicial evolution

Reports from Estonia, Latvia and Spain request a judicial evolution to enforce protections. Latvia even requests the creation of look-alike jurisprudence as such as up to year 2008 the unfair competition cases were mainly reviewed in administrative proceedings.

The reporter from the Czech Republic mentions in this respect a more generous approach in awarding monetary satisfactions (according to a "license analogy"). Comparable to that, the Swiss report requests completion of legislation concerning damages.

The German reporter holds that Courts shall less focus on competitive peculiarities but rather respect the character of an unfair look-alike itself.

According to the report from Luxembourg, the definition of competitive relations shall be loosened so that also competitors in vertical relations shall be captured.