

Law(s) against unfair competition: the legitimacy of the UK approach

Dev Saif Gangjee*

1. Introduction

The UK lacks a unified legal basis for the prevention of unfair competition. There is no single statutory point of reference, nor a discrete tort of unfair competition. This has led to assertions that ‘there is no English law of unfair competition’¹ or that in the UK, this field ‘must, to a great extent, be considered “*terra incognita*”’.² While there is admittedly no single source in tort or legislation, the UK offers up an unfair competition menu consisting of individual torts or equitable wrongs (primarily passing off, injurious falsehood, defamation and the breach of confidence), the prohibition of misleading practices under consumer protection law, trade mark law and codes of advertising regulation.³ In terms of their cumulative coverage, these regimes overlap considerably with the protection available under civilian unfair competition regimes. It is therefore more accurate to say that the UK has *laws* against unfair competition. But are they cumulatively sufficient? This article evaluates one important facet of this question—whether the UK approach complies with relevant international treaty obligations—concluding that it does.

It is first necessary to explain why this seemingly defensive posture has been adopted. When compared

The author

- Dev Saif Gangjee is Professor of Intellectual Property Law at the University of Oxford.

* Email: dev.gangjee@law.ox.ac.uk. The author would like to thank Professor Martin Senftleben for the invitation to join the WIPO Study (WIPO/STRAD/INF/8 PROV, 1 November 2022), from which this paper has been adapted.

1 RW de Vrey, *Towards a European Unfair Competition Law: A Clash between Legal Families* (Martinus Nijhoff 2006) 4.

2 FK Beier, ‘The Law of Unfair Competition in the European Community: Its Development and Present Status’ [1985] IIC 139, 161.

3 R Arnold, ‘English Unfair Competition Law’ [2013] IIC 63; J Davis, ‘Unfair Competition: The United Kingdom’ in F Henning-Bodewig (ed) *International Handbook on Unfair Competition* (CH Beck 2013) 600.

Abstract

- The UK lacks a unified legal basis for the prevention of unfair competition. Instead, the UK offers up an unfair competition menu consisting of individual torts or equitable wrongs (primarily passing off, injurious falsehood, defamation and the breach of confidence), the prohibition of misleading practices under consumer protection law, trade mark law and codes of advertising regulation.
- In terms of their cumulative coverage, these regimes overlap considerably with the protection available under civilian unfair competition regimes. It is therefore more accurate to say that the UK has laws against unfair competition. But are they cumulatively sufficient?
- This article evaluates one important facet of this question—whether the UK approach complies with relevant international treaty obligations contained in Article 10bis of the Paris Convention—concluding that it does. The basis for this conclusion is the detailed analysis of international unfair competition prevention obligations contained in WTO Dispute Settlement Panel Report, *Australia—Tobacco Plain Packaging*.

with many of its European neighbours, the UK approach to unfair competition differs in two significant ways. First, it lacks an open-ended general clause, compendious enough to encompass all acts of unfair competition as they emerge in an evolving marketplace.⁴ The obvious comparator here would be the formulation in the German Act against Unfair Competition (*Gesetz gegen den*

4 M Senftleben (ed), *Status Report on Protection Against Unfair Competition in WIPO Member States* (WIPO/STRAD/INF/8 PROV, 1 November 2022) 173 (‘Without an open-ended, flexible regulatory instrument, unfair competition law may be rendered incapable of keeping pace with constantly evolving new business models and marketing tools’).

unlauteren Wettbewerb or UWG). In its present formulation, section 3(1) states: ‘Unfair commercial practices are illegal.’⁵ The original formulation in the UWG 1909 famously prohibited all acts of competition that were *contra bonos mores* (or *gutte Sitten*).⁶ More pertinently, Article 10bis(2) of the Paris Convention⁷ requires all member states, including the UK, to provide effective protection against any ‘act of competition contrary to honest practices in industrial or commercial matters.’ Article 2(1) of the TRIPS Agreement now incorporates Article 10bis, by requiring that its membership ‘shall comply with Articles 1 through 12, and Article 19, of the Paris Convention (1967)’. Consequently, is there a reinforced obligation to transpose such a general clause into domestic law?

The second difference flows from the first. Unfair competition has also been treated synonymously with misappropriation in the past.⁸ Strictly speaking, this equivalence is inaccurate; misappropriation is a species within the genus of unfair competition. Nevertheless, this usage is intended to point out a gap. While British courts have creatively adapted the tort of passing off, with its key requirement of misrepresentation, to a range of new commercial contexts over time, a tort of misappropriation has never taken root. As Adams has argued:

Misappropriation extends further than confusion or deception in certain specific areas: taking an unfair advantage of an established reputation; dilution of well-known trade marks; slavish imitation of products not protected under the various forms of intellectual property and parasitic competition... English law does not protect against misappropriation as such. Misappropriation amounts, in effect, to ‘reaping what another has sown’.⁹

The action has been described as the legal response to a widely held gut feeling, shared by the judiciary, that there must be a remedy against free riding, as a form of ‘unjust enrichment’ or taking without recompense, even in the absence of any misrepresentation.¹⁰ By contrast,

a rule against free riding or taking unfair advantage—in other words misappropriation *per se*—is recognized in UK trade mark law, as influenced by EU legislation.¹¹ It should also be noted that there are important reasons to challenge this gut feeling, if we reframe ‘taking without paying’ as learning, inspiration for further creativity, the basis for desirable competition or associative cross-referencing, as an integral part of language and cognition.¹²

From the 1960s, there have been periodic attempts to expand passing off beyond the limitations of a tort anchored in misrepresentation into a broader tort of misappropriation.¹³ The alternative is an appeal to the judiciary (or legislature) to embrace an entirely new tort. The most recent such attempt in the UK was in *L’Oréal*.¹⁴ Here the defendants manufactured smell-alike perfumes and signalled their equivalence to famous perfume brands in various ways, including comparison lists (if you want the fragrance of A, buy B) and allusive product packaging evoking the originals. However, the considerable price difference between the fine fragrances and replicas, as well as very different retail channels, ensured there was no actionable misrepresentation. Since passing off was unsuccessful, the claimants argued that ‘the historic fundamental requirement in a passing off action, that there be some sort of misrepresentation... is now outdated... [The] common law should move on and embrace a tort of “unfair competition” which requires

Unfair Competition Law’ in A Ohly (ed) *Common Principles of European Intellectual Property Law* (Mohr Siebeck 2012) 247.

- 5 In the original: *Unlautere geschäftliche Handlungen sind unzulässig*. Translation from the German Federal Ministry of Justice: see Available at https://www.gesetze-im-internet.de/englisch_uwg/englisch_uwg.html (accessed 27 November 2023).
- 6 F Henning-Bodewig and K Boesche, ‘Germany’ in *International Handbook* (n 3) 231.
- 7 Paris Convention for the Protection of Industrial Property (signed 20 March 1883, revised at Stockholm on 14 July 1967, amended on 28 September 1979) 828 UNTS 305.
- 8 A Terry, ‘Unfair Competition and the Misappropriation of a Competitor’s Trade Values’ (1988) 51 *MLR* 296, 301–02.
- 9 JN Adams, ‘Unfair Competition: Why a Need is Unmet’ [1992] *EIPR* 259. For a rich and illuminating intellectual history of the attempt to transplant misappropriation into the Anglo-American context, see C Wadlow, ‘Rudolf Callmann and the Misappropriation Doctrine in the Common Law of Unfair Competition’ [2011] *IPQ* 111.
- 10 D Visser, ‘Misrepresentation and Misappropriation: Two Common Principles or Common “Basic Moral Feelings” of Intellectual Property and

- 11 Courts have explicitly recognized an unfair advantage claim in trade mark law as being ‘directed at a particular form of unfair competition’: *W3 v Easygroup Ltd* [2018] EWHC 7 (Ch), [300] (Arnold J); *Monster Energy Company v Red Bull GmbH* [2022] EWHC 2155 (Ch), [33] (Adam Johnson J).
- 12 The argument can be refuted in ethical, economic and sociological terms. For representative criticisms, see D Gangjee and R Burrell, ‘Because You’re Worth It: *L’Oréal* and the Prohibition on Free Riding’ (2010) 73 *MLR* 282; M Lemley & MP McKenna, ‘Owning Mark(et)s’ (2010) 109 *Michigan Law Review* 137; ME Kenneally, ‘Misappropriation and the Morality of Free-Riding’ (2014) 18 *Stanford Technology Law Review* 289.
- 13 British courts have occasionally appeared sympathetic to a broader conceptualization of unfair competition. See for example, *Vine Products Ltd v MacKenzie & Co Ltd* [1969] RPC 1, 23 (Cross J) (describing passing off’s expansion ‘into the unmapped area of “unfair trading” or “unlawful competition”’); *Arsenal Football Club Plc v Reed* [2003] EWCA Civ 696, [70]–[71] (Aldous LJ) (favouring an expansion, albeit *in obiter*). For the accompanying debate, see WR Cornish ‘Unfair Competition? A Progress Report’ (1972) 12 *JSPITL* 126; G Dworkin, ‘Unfair Competition: Is the Common Law Developing a New Tort?’ (1979) 1 *EIPR* 241; P Burns, ‘Unfair Competition; A Compelling Need Unmet’ (1981) 3 *EIPR* 311; Terry (n 8); M Spence ‘Passing Off and the Misappropriation of Valuable Intangibles’ (1996) 112 *LQR* 472; H Carty, ‘The Common Law and the Quest for the IP Effect’ (2007) 3 *IPQ* 237; J Davis, ‘Why the United Kingdom Should have a Law Against Misappropriation’ (2010) 69 *CLJ* 561; C Wadlow, ‘Unfair Competition by Misappropriation: The Reception of International News in the Common Law World’ in L Bently et al (eds) *The Common Law of Intellectual Property: Essays in Honour of Professor David Vaver* (Hart 2010) 307.
- 14 *L’Oréal SA v Bellure NV* [2007] EWCA Civ 968.

no misrepresentation.¹⁵ The argument seemingly ran that Article 10bis(2) of the Paris Convention is broadly worded, requiring more than just legal norms against misrepresentation. That is, it was argued that this broad formulation includes misappropriation *per se*, and in not providing for a standalone misappropriation prevention action in domestic law, the UK is in breach of the general clause in Article 10bis(2).¹⁶ Rejecting this argument, Jacob LJ concluded that ‘even if the UK is in derogation, it has been so for over 80 years without complaint. It is not a matter for the judges’.¹⁷

In the absence of a general clause, it ‘has long been a matter of debate amongst legal scholars as to whether these miscellaneous mechanisms do enable the United Kingdom to comply with its obligations under Article 10bis of the Paris Convention’.¹⁸ Or, as another experienced commentator puts it, the UK approach ‘has long raised the question of whether [it] is significantly out of step with international norms, perhaps even to the extent of being in breach of its obligations in public international law, by failing to have a more comprehensive law of unfair competition’.¹⁹ Today the argument for non-compliance seems unconvincing, in light of the persuasive reasoning in the WTO Dispute Settlement Body’s Panel Report in *Australia—Tobacco Plain Packaging*.²⁰ This decision confirms that the content of an ‘act of competition contrary to honest practices in industrial or commercial matters’ is to be determined at the domestic level. Besides the mandatory obligations set out in Article 10bis(3), there is no autonomous definitional content for Article 10bis(2) that the UK falls short of. Stated simply, the UK is not in derogation. This conclusion has wider significance because several other (predominantly common law) jurisdictions also lack a general clause or else have no tort of misappropriation.²¹

This paper proceeds by first reviewing the current landscape of unfair competition prevention in the UK (Section 2); then drawing on the WTO Panel Report to establish that the obligation in Article 10bis(2) leaves considerable room for determining at the domestic level what

counts as unfair competition (Section 3); followed by a brief conclusion (Section 4).

2. The UK menu of options

Since the UK has no single source of unfair competition law, it lacks a general prohibition against competitive acts ‘contrary to honest practices in industrial or commercial matters’. There is a clear preference for defined causes of action, with their own qualifying criteria and limits.²² The UK’s past membership of the EU did not alter this situation, since only selective aspects of business-to-consumer relations (prioritizing unfair commercial practices) and business-to-business relations (prioritizing misleading and comparative advertising) were harmonized.²³ In relation to civil claims, discrete torts have been the preferred option:

The common law having no general tort of unfair competition, the economic torts represent its chosen method to attack excessive (rather than simply aggressive) competition or economic endeavour, whether through diversion of custom or attacks on commercial links.²⁴

This suite includes the torts of inducing breach of contract, causing loss by unlawful means, intimidation, lawful means conspiracy (where defendants combine to perform harmful but otherwise lawful acts), unlawful means conspiracy (where defendants combine to perform unlawful acts), deceit and malicious falsehood, as well as passing off. A historical sensibility also reveals that the UK had opted for criminal law sanctions as the principal means of ‘effective protection’ against unfair competition for several decades. This was notably given effect by the Merchandise Marks Act 1862, followed by periodically updated legislation between 1887 and 1953.²⁵ This regime *inter alia* allowed government departments or local authorities to prosecute false and misleading trade descriptions on goods and the wrongful application of trade marks. Prosecutions were also possible on the receipt of complaints from legitimate traders or consumers.²⁶ The absence of a system of local courts able to provide affordable and speedy access to civil justice

15 *ibid* [135].

16 *ibid* [135]–[147].

17 *ibid* [148].

18 Arnold (n 3) 65.

19 C Wadlow, *Wadlow on the Law of Passing-Off* (6th edn, Sweet & Maxwell 2021) 2–12.

20 Panel Report, *Australia—Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WTO Docs WT/DS435/R, WT/DS441/R, WT/DS458/R, WT/DS467/R (9 June 2020). There was no appeal to the Appellate Body on the unfair competition issue.

21 See eg *Status Report* (n 4) 31–39 (members of ARIPO across Africa); 40–48 (United States and Canada); 49–55 (Caribbean region); 102–05 (India); 127–37 (Australia and the South Pacific).

22 This can be traced to more particularized, facts-and-harm specific approach to torts in the common law tradition, as opposed to a more abstract and principled approach under civil law. G Wagner ‘Comparative Tort Law’ in M Reimann and R Zimmermann (eds) *The Oxford Handbook of Comparative Law* (OUP 2006) 1005.

23 See *Status Report* (n 4) 150–61 (European Union); See also C Wadlow, ‘The Emergent European Law of Unfair Competition and its Consumer Law Origins’ (2012) 8 *IPQ* 1.

24 H Carty, *An Analysis of the Economic Torts* (2nd edn, OUP 2010) 2.

25 HF Moulton and PG Langdon-Davies, *The Law of Merchandise Marks: Including the Merchandise Marks Act, 1953* (Butterworth 1954).

26 Reviewed in the Final Report of the Committee on Consumer Protection, 1962 (Cmnd. 1781) [573]–[725].

and the belief that effectively stamping out fraud required criminal liability have been offered as explanations for this approach.²⁷ It serves as a reminder that penal sanctions have formed part of the mix of unfair competition measures, alongside civil proceedings, administrative measures and self-regulation codes.²⁸

Against this backdrop, it is therefore unsurprising that there is no overarching theoretical framework for unfair competition law in the UK, since each regime within this menu will have its own rationale and priorities. It is widely recognized that ‘besides the central goal to protect traders against unfair competitive practices, the objective to provide consumer protection... [and] the public interest in fair, undistorted competition may be invoked’ as rationales.²⁹ Different options within the UK’s menu respond to these three constituencies to varying degrees. While the tort of passing off recognizes a trader’s proprietary interest in their commercial goodwill, consumer protection regimes overtly prioritise consumer interests and the quality of information available to them. The protected constituency for each regime in turn manifests in rules on standing, or the ability to bring a claim. Traders are not recognized as directly affected parties under the UK’s consumer protection regimes, while consumers cannot bring a claim in passing off. From an IP perspective, this is helpful as a method of distinguishing between the provinces of ‘pure’ consumer protection law, competition (antitrust) law and those unfair competition rules which allow traders to bring claims to protect valuable intangibles, such as their trade secrets or their market reputation. It is additionally a reminder that not every regime which fits within the broad umbrella category of unfair competition law is necessarily relevant from an IP perspective. One competitor bribing another’s agents or employees, or systematically inducing the breach of contractual agreements might constitute recognized acts of unfair competition without any valuable intangible being directly affected.³⁰ Thus what is the object of protection (valuable intangibles?) and who can bring a claim (traders? Consumers? Market regulators or other administrative agencies?) are useful triaging questions for identifying the sub-set of unfair competition rules within a jurisdiction that have ‘IP significance’.

Before reviewing the UK approach, it is helpful to set out the unfair competition obligations within the Paris Convention. Article 10bis(1) requires national treatment when it comes to providing ‘effective protection against unfair competition’. The drafting history of Article 10bis makes it clear that ‘effective protection’ does not necessarily correlate with providing for a civil action and remedies such as injunctions or damages. ‘The *travaux préparatoires* for various conferences have noted that the repression of unfair competition in the contracting states involved various combinations of civil, criminal and administrative law, and this state of affairs was not intended to be affected’.³¹ As we have seen previously, Article 10bis(2) defines unfair competition as any ‘act of competition contrary to honest practices in industrial or commercial matters’. By way of mandatory prohibitions, Article 10bis(3)(i) proscribes 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’ (commercial source confusion); Article 10bis(3)(ii) prohibits ‘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’ (misleading denigration); and Article 10bis(3)(iii) forbids allegations or indications ‘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’ (misleading practices regarding one’s own products).

2.1 Commercial source confusion: passing off

The tort of passing off is the most prominent means of satisfying the obligation in Article 10bis(3)(i). It has been recently affirmed that ‘passing off is a species within the genus of unfair competition’, for the purposes of determining whether England is an appropriate forum for litigation.³² This tort has been described as ‘the law of unregistered trade marks’.³³ It ‘can be summarised in one short general proposition – no man may pass off his goods as those of another’.³⁴ A successful claim requires the ‘classical trinity’ of elements to be established: (i) goodwill that is protected against (ii) a misrepresentation which (iii) causes actual damage, or potentially might

27 *Wadlow on Passing-Off* (n 19) [2–15]–[2–17], [2–69].

28 WIPO, *Protection against Unfair Competition: Analysis of the Present World Situation* (1994) 69–81.

29 *Status Report* (n 4) 172. See also Recital 21 of the EU ‘Rome II’ Regulation No 864/2007 on the Law Applicable to Non-Contractual Obligations (‘In matters of unfair competition, the conflict-of-law rule should protect competitors, consumers and the general public and ensure that the market economy functions properly’).

30 WIPO, *World Situation* (n 28) [133]–[134].

31 *Wadlow on Passing-Off* (n 19) [2–46].

32 *Lyle & Scott Ltd v American Eagle Outfitters Inc* [2021] EWHC 90 (Ch) [66]–[72] (at issue was whether the rules determining the appropriate forum a dispute for (i) IP, (ii) tort or (iii) unfair competition should apply to passing off).

33 Davis ‘The United Kingdom’ (n 3) 600.

34 *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 WLR 491, 499 (Lord Oliver).

do so.³⁵ Misrepresentation forms the core of this tort, with judges having resisted entreaties to recognize dilution or misappropriation as stand-alone substitutes for it. There ‘must be customer reliance, based on the defendant’s misrepresentation which harms the goodwill of the claimant’.³⁶

Turning to the first element, goodwill is recognized as the protected interest in passing off. Lord Macnaghten memorably described it as ‘the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force that brings in business ... goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business’.³⁷ Crucially, it is recognized as a form of intangible property that is harmed by the defendant’s misrepresentation.³⁸ It is this proprietary interest that enables the affected trader, as opposed to a deceived consumer, to bring a claim. A broad range of indicia can function as protectable symbols of this proprietary interest, including trade names, logos, trade dress and even aspects of celebrity image.³⁹ While dissenting voices exist, the orthodoxy in the UK is that goodwill is not the same as mere reputation and the latter will not suffice.⁴⁰ Thus, UK courts adhere to the position that ‘an undertaking which seeks to establish goodwill in relation to a mark for goods cannot do so, however great may be the reputation of [its] mark in the UK, unless it has customers among the general public in the UK for those products’.⁴¹

The wrongful conduct at the heart of passing off is misrepresentation. This is a more demanding standard than mere confusion. It calls for *materiality*, where relevant confusion on the part of the purchasing public has effects on their economic behaviour, giving rise to damage.⁴² The paradigm case is that of source confusion: as a result of trader B’s misrepresentation the public thinks that her products are those of trader A. The misrepresentation can take various forms, with B using a similar or identical mark to A’s on her goods—along the lines of trade

mark infringement—or more subtle behaviours, such as providing B’s goods when asked for A’s or adopting a misleading marketing method to create source confusion.⁴³ Variations in the nature of misrepresentation have given rise to sub-categories of passing off, as the following two strands illustrate. The first is extended passing off, which describes ‘a line of cases stretching back nearly 50 years in which suppliers of products of a particular description have sought to restrain rival traders from using that description, or a confusingly similar term, in relation to goods which do not correspond to that description’.⁴⁴ Unlike conventional passing off, the misrepresentation here relates not to a specific commercial source but to membership in a product class, which suggests that the product has certain qualities. Consequently, using ‘Swiss Chalet’ on chocolate not made in Switzerland in accordance with a Swiss recipe was found to be an actionable misrepresentation.⁴⁵ Prominently deployed in disputes concerning Champagne and Scotch whisky, extended passing off is a viable strategy for protecting geographical indications in common law jurisdictions.⁴⁶ The second variant is sponsorship or affiliation confusion, where some of the leading cases relate to celebrity endorsement or merchandising.⁴⁷ The misrepresentation must lead customers to believe that the (usually famous) claimant has authorized the defendant’s conduct, suggesting a licensing agreement or some other form of commercial association.

The third element of the tort requires damage arising from this misrepresentation. The most conventional head of damage is loss of sales arising from the confusion. While it can be evidenced, it may also be presumed, as ‘the injury which is inherently likely to be suffered by any business when on frequent occasions it is confused by customers or potential customers with a business owned by another proprietor or is wrongly connected with that business’.⁴⁸ Beyond this paradigmatic form of harm, more compelling evidence is usually required to substantiate the following claims of damage:⁴⁹

- the devaluation of reputation (eg, where inferior goods are being passed off as those of the claimant, or the

35 *ibid*; See also *Erven Warnink BV v Townend and Sons Ltd* [1979] AC 731 (HL) for a more elaborate version of the test.

36 Carty, *Economic Torts* (n 24) 266.

37 *Commissioners of Inland Revenue v Muller & Co’s Margarine Ltd* [1901] AC 217, 223 (HL).

38 RG Bone ‘Hunting Goodwill: A History of the Concept of Goodwill in Trade Mark Law’ (2006) 86 *Boston University Law Review* 547.

39 *Fenty v Arcadia Group Brands Ltd* [2013] EWHC 2310 (Ch); affirmed [2015] EWCA Civ 3 (recognizing goodwill in the globally renowned music star Rihanna’s image as depicted in photographs, which were used on a t-shirt without authorization).

40 *Starbucks (HK) Ltd v British Sky Broadcasting Group PLC* [2015] UKSC 31.

41 *Hotel Cipriani SRL v Cipriani (Grosvenor Street)* [2010] EWCA Civ 110, [106] (Lloyd LJ). This issue has divided common law jurisdictions. For an extended critique, see C Ng, *Goodwill in Passing Off* (Edward Elgar 2021).

42 See eg *Argos Ltd v Argos Systems Inc* [2017] EWHC 231 (Ch) (no material misrepresentation).

43 See *Wadlow on Passing-Off* (n 19) chs 5 and 7.

44 *Diageo North America Inc v Intercontinental Brands (ICB) Ltd* [2010] EWHC 17 (Ch) [1] (Arnold J).

45 *Chocosuisse Union des Fabricants Suisses de Chocolat v Cadbury Ltd* [1998] RPC 117, 127 (Ch); affirmed [1999] RPC 826 (CA).

46 DS Gangjee, ‘Spanish Champagne: An Unfair Competition Approach to GI Protection’ in RC Dreyfuss & JC Ginsburg (eds) *Intellectual Property at the Edge: The Contested Contours of IP* (CUP 2014) 105.

47 See *Irvine v Talksport Ltd* [2003] EWCA Civ 423; *Fenty (CA)* (n 39).

48 *Chelsea Man Menswear Ltd v Chelsea Girl Ltd* [1987] RPC 189, 202 (Slade LJ).

49 See *Wadlow on Passing-Off* (n 19) ch 4.

defendant's business has an image incompatible with the claimants);

- restricting the potential to expand into a new area of business, where the expansion is likely;
- (more tentatively) a general 'loss of control' over one's reputation; and
- dilution, also referred to as the erosion of distinctiveness, which must however follow on from misrepresentation. The erosion of distinctiveness is therefore not an independent basis for a claim.

2.2 Misleading denigration: injurious falsehood

Disparaging or denigrating allegations made by one trader against another are assessed under the tort of malicious or injurious falsehood. Although it exists as a distinct tort and does not have the same qualifying requirements as defamation, it is also referred to as trade libel. Whereas defamation relates to harm to reputation, malicious falsehood relates to damage to a business. Falsely stating that someone has retired from their business may harm the business without necessarily harming their reputation. The loss or damage is usually loss of trade. The tort has three main ingredients: misrepresentation or falsehood, malice and damage.⁵⁰ As was held in *Kaye v Robertson*:

The essentials of this tort are that the defendant has published about the plaintiff words which are false, that they were published maliciously, and that special damage has followed as the direct and natural result of their publication. As to special damage... [relevant legislation clarifies] that it is sufficient if the words published in writing are calculated to cause pecuniary damage to the plaintiff. Malice will be inferred if it be proved that the words were calculated to produce damage and that the defendant knew when he published the words that they were false or was reckless as to whether they were false or not.⁵¹

In terms of the main criteria to be fulfilled, the misrepresentation must be published and refer to the claimant or his business directly or indirectly.⁵² In 'addition to the obvious requirement of objective falsity (and the extrinsic one of malice) the misrepresentation must relate to the claimant's goods, or, more generally, his person, business, establishment or services; and it must be of such a kind as to cause damage of a pecuniary nature, as

opposed to damage to the claimant's honour and reputation in the sense protected by the law of defamation'.⁵³

Thus misrepresentation and malice are two independent requirements. The former includes false allegations that the claimant's goods are spurious, inferior or dangerous.⁵⁴ The latter requires an improper motive, or knowledge or recklessness as to the falsity of the representation being made.⁵⁵ The subjective, intentional element of malice is considered the bottleneck to a successful claim: '[t]he problem for the prospective claimant, of course, lies in the requirement to prove malice'.⁵⁶ Other reasons for the relatively low profile of this tort include its overlap—in terms of requiring misrepresentation—with passing off, which does not require malice; the emergence of a separate regime to regulate comparative advertising involving unfair comparisons (considered below); and a judicial reluctance to prohibit mere 'puffing', in the form of claiming one trader's goods are better than another's.⁵⁷

2.3 Misleading practices regarding one's own products

Misleading representations about a trader's own products are regulated under regimes that were largely harmonized under EU law. These continue to operate as retained law after Brexit.

Misleading advertising in the business-to-business (B2B) context is regulated by the Business Protection from Misleading Marketing Regulations 2008 (BPR 2008).⁵⁸ This is the domestic implementation of the Misleading and Comparative Advertising Directive.⁵⁹ This regime prohibits misleading B2B advertising, which 'in any way, including its presentation, deceives or is likely to deceive the traders to whom it is addressed or whom it reaches; and by reason of its deceptive nature, is likely to affect their economic behaviour'.⁶⁰ Advertising can be misleading in relation to, for example, characteristics of a product such as its availability, composition, method and date of provision, or uses. Comparative advertising includes any advertisement which identifies a competitor or a competitor's product. It must comply with a list of conditions, including prohibitions against advertising

50 See *Wadlow on Passing-Off* (n 19) ch 6; A Tettenborn (ed), *Clerk & Lindsell on Torts* (23rd edn, Sweet and Maxwell 2021) ch 22.

51 *Kaye v Robertson* [1991] FSR 62 (CA); see also *Ratcliffe v Evans* [1892] 2 QB 524 (CA). How the statutory presumption of malice should be approached under s 3(1) of the Defamation Act 1952 is presently pending before the UK Supreme Court, hearing the appeal from *George v Cannell* [2022] EWCA Civ 1067.

52 *Marathon Mutual Ltd v Waters* [2009] EWHC 1931 (QB).

53 *Wadlow on Passing-Off* (n 19) 373.

54 *ibid.*

55 *Spring v Guardian Assurance Plc* [1993] 2 All ER 273 (CA). The subsequent House of Lords decisions did not disturb the Court of Appeals' characterization of malice.

56 Arnold (n 3) 75.

57 Davis 'The United Kingdom' (n 3) 608–09.

58 Statutory Instrument (SI) 2008/1276.

59 Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising [2006] OJ L376/21.

60 BPR 2008, reg 3.

which misleads, does not objectively compare product features, causes confusion among traders (including confusion relating to trade marks), or takes unfair advantage of a trade mark's reputation.⁶¹ The BPR 2008 is enforced by public authorities, such as trading standards services, which have investigative powers. Enforcement options include criminal prosecutions as well as injunctions and undertakings to secure compliance with the BPR 2008. While some of these activities will constitute trade mark infringement, rights holders will have to persuade public authorities, which operate with constrained resources, to take action.

Misleading conduct in the business-to-consumer (B2C) context is regulated by the Consumer Protection from Unfair Trading Regulations 2008 (UTR 2008).⁶² This was enacted to implement the Unfair Commercial Practices Directive (UCPD).⁶³ It is noteworthy that the UCPD directly protects consumer interests and only indirectly protects legitimate businesses from misconduct. Forms of unfair competition which harm competitors but not consumers, such as pure free riding or misappropriation, are beyond its scope.⁶⁴ The UTR 2008 was a significant piece of legislative reform as it effectively replaced 23 prior enactments, including much of the Trade Descriptions Act 1968 and parts of the Misrepresentation Act 1967. Many of these enactments have parallels across common law jurisdictions, so this marks a departure from the former UK approach. The UTR imposes a general prohibition on traders in all sectors from engaging in unfair commercial practices with consumers. Specifically, it protects consumers from misleading trading practices and bans misleading omissions as well as aggressive sales tactics. The general tests for misleading or aggressive practices (regs 9–11) are supplemented by a Schedule of 31 commercial practices which are, in all circumstances, deemed unfair. This list includes bait and switch advertising, false 'free' offers, and pressure selling. For the general prohibitions, the touchstone is whether the unfair practice would be likely to materially distort decision making, by causing 'the average consumer to take a transactional decision he would not have taken otherwise' (reg 5(2)(b)), such as entering into a contract or making a payment. The average consumer

(reg 2(2)), in turn, is the same hypothetical legal subject or model developed for EU trade mark law.⁶⁵ In certain contexts, it may be replaced with more vulnerable categories of consumers (reg 2(5)). The UTR 2008 is administratively enforced by public authorities; namely, the Competition and Markets Authority, in partnership with others such as local trading standard bodies. The regime relies on criminal sanctions and (civil) enforcement orders. Since 2014, a private right of redress has been introduced for consumers.⁶⁶ Aggrieved consumers can now unwind a contract and claim a discount on the price paid or claim damages. Importantly, unlike broadly similar consumer protection regimes in other common law countries, actions cannot be brought by rival traders. Finally, any account would be incomplete without mentioning self-regulation in the UK, via the Advertising Standards Authority (ASA), which enforces Advertising Codes relating to broadcast and non-broadcast advertising.⁶⁷

It is therefore clear that the UK provides options under each of the three mandatory requirements of Article 10bis(3) of the Paris Convention. It also goes beyond these three requirements; there is one additional claim that is directly relevant for the protection of valuable intangibles—the breach of confidence. This action is based on principles of equity and generates an obligation to maintain confidentiality, independent of any contractual relationship.⁶⁸ Trade secrets are a specific form of confidential information. They are not only protected by the equitable action, but also by a specific statutory regime,⁶⁹ which gives effect to the EU Trade Secrets Directive.⁷⁰ The basis for the equitable claim has been described as follows: '[He] who has received information in confidence shall not take unfair advantage of it. He must not make use of it to the prejudice of him who gave it without obtaining his consent.'⁷¹ A breach of this obligation is assessed via a three-part test:⁷²

(1) The information must itself have the necessary quality of confidence. To determine this, courts

61 BPR 2008, reg 4. On the significance of this regime for trade mark enforcement, see J Smith and R Montagnon 'The New Consumer and Business Protection Regulations: Another String to the Brand Owner's Bow?' (2009) 4 *JIPLP* 33.

62 SI 2008/1277.

63 Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market [2005] OJ L149/22.

64 Recitals 6 and 8 of the UCPD.

65 GB Dinwoodie and DS Gangjee, 'The Image of the Consumer in European Trade Mark Law' in D Leczykiewicz and S Weatherill (eds) *The Image(s) of the Consumer in EU Law* (Hart 2016) 339.

66 Consumer Protection (Amendment) Regulations 2014, SI 2014/870.

67 See Available at <https://www.asa.org.uk/> (accessed 27 November 2023).

68 See generally T Aplin et al, *Gurry on Breach of Confidence: The Protection of Confidential Information* (OUP 2012).

69 Trade Secrets (Enforcement, etc) Regulations 2018, SI 2018/597.

70 Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure [2016] OJ L157/1.

71 *Seager v Copydex Ltd* [1967] FSR 211, 220 (CA).

72 *Coco v AN Clark (Engineers) Ltd* [1968] FSR 415 (Ch).

will consider whether it is in the public domain or labelled ‘secret’. Examples include secret formulae, Google’s search algorithms or sensitive financial information.

(2) That information must have been imparted in circumstances importing an obligation of confidence, which is assessed objectively. This can be imposed by contract but may also arise without any existing contractual relationship. The acquirer should have actual knowledge or constructive notice, implied by the circumstances of disclosure, that the information is confidential (eg based on the special relationship with a former employee).

(3) There must be an unauthorized use of that information to the detriment of the right-holder.

There is a renewed interest in trade secrecy and the breach of confidence more generally, in the context of artificial intelligence and machine learning in particular, where algorithms as well as training data can potentially be protected.⁷³

3. Article 10bis and the parameters of a general definition

While the UK has something to show for each of the three mandatory requirements of Article 10bis(3), there is also an obligation under Article 10bis(1) to provide effective protection against unfair competition, which in turn is defined broadly in Article 10bis(2). The ‘question is whether Article 10bis(1) and (2) are together intended to have some sort of normative effect over and above the individual instances of conduct specifically prohibited under Article 10bis(3)?’⁷⁴ This question has been directly addressed in *Australia—Tobacco Plain Packaging*. Moreover, interpretations provided by WTO Panels when addressing TRIPS obligations have proved relevant for domestic courts in the past.⁷⁵ The Panel Report in *Australia—Tobacco Plain Packaging* is significant for addressing a range of other issues relating to international unfair competition obligations, such as the conclusion that Article 2 of TRIPS incorporates the full scope of Article 10bis, as opposed to just the specific provisions within Part II of TRIPS that expressly cross-reference

Article 10bis (notably, the protection of geographical indications (Article 22.2) or undisclosed information (Article 39.1)). However, our focus in this section is on the Panel’s findings regarding the general definition of unfair competition.

Australia introduced tobacco control measures in 2011 which were designed to improve public health by discouraging smoking. They included the removal of attractive brand imagery from tobacco packaging, constraints on package colour and finish, the removal of several categories of trade marks including logos and the regulation or removal of wrappers, inserts and onsets (affixed to the exterior packaging). Word marks could still be used for the product’s brand name, business or company name and variant name, but in a standardized format. The complainants were Honduras, the Dominican Republic, Cuba and Indonesia, with several third countries intervening.⁷⁶ The complainants argued that these plain (or more accurately, standardized) packaging measures restricting the uses of distinctive signs were incompatible with a number of TRIPS provisions, including Articles 10bis(1) and 10bis(3) points 1 and 3.

The argument in relation to Article 10bis(1) took the following form: in drastically restricting product differentiation through branding, the Australian tobacco plain packaging measures were incompatible with the obligation to provide ‘effective protection’ against unfair competition. Cuba alone argued that the legislative measures *themselves constituted* an act of unfair competition, on the grounds that they create unfair conditions for competing by creating the wrong impression that all tobacco products are similar or interchangeable, leading to consumer confusion.⁷⁷ More generally, all four complainants claimed that the measures *created the conditions* for unfair competition by traders. They compelled market actors to engage in acts of unfair competition, against which Australia was obliged to offer effective protection.⁷⁸ Consumers should be allowed to choose not just on the basis of price, but other forms of product differentiation such as trade marks, imagery and colour as well. Stripping this away would allow traders to misleadingly signal that

73 SK Sandeen and T Aplin, ‘Trade Secrecy, Factual Secrecy and the Hype Surrounding AI’ in R Abbott (ed) *Research Handbook on Intellectual Property and Artificial Intelligence* (Edward Elgar 2022) 443.

74 *Wadlow on Passing-Off* (n 19) [2–60].

75 On interpreting the three-step test for copyright defences in light of Panel Reports, see *England And Wales Cricket Board Ltd v Tixdaq Ltd* [2016] EWHC 575 (Ch) [88]; *Shazam Productions Ltd v Only Fools The Dining Experience Ltd* [2022] EWHC 1379 (IPEC) [150].

76 For additional background, see WR Meier-Ewert, ‘The WTO Disputes Regarding Tobacco Plain Packaging – Selected TRIPS Findings from the Panel Stage’ in C Heath and A Kamperman Sanders (eds) *Intellectual Property and International Dispute Resolution* (Kluwer Law International 2019) 211; O Owuoye, O Fabusuyi and M Nkhoma, ‘The Australian Tobacco Plain Packaging Legislation: A Case Study on Intellectual Property Enforcement and Policy Intervention to Promote Public Health’ (2021) 16 *JIPLP* 164.

77 *Australia—Tobacco Plain Packaging* (n 20) Executive Summary of the Arguments of Cuba, Annex B-3, [67]–[68].

78 *ibid* [7.2685]–[7.2691].

inferior products were as good as superior ones. Government regulation which skewed the level playing field to the detriment of some competitors (the higher end of the market) over others violated the obligation to ensure honest competition.

The Panel ultimately rejected these arguments, since the complainants had not demonstrated that such measures would compel market actors to engage in unfair competition. First, a regulatory intervention was not an act of competition done by a market actor when competing against other market actors.⁷⁹ This took Australia's tobacco control measures outside the ambit of Article 10bis. Second, the measures did not structurally generate the conditions for unfair competition, by compelling acts which create confusion. The imposition of a uniform appearance applied to *all* competitors in the tobacco market. It was implausible that this well publicized regulatory intervention on public health grounds would be understood as suggesting to consumers that all tobacco products had identical characteristics. The use of brand and variant names would continue to effectively allow consumers to distinguish between the offerings of competitors.⁸⁰

In the process of resolving this dispute, the Panel made instructive findings about the parameters as well as substantive content of Article 10bis(1) and (2).

First, it defined an 'act of competition' in Article 10bis(2) as 'something that is done by a market actor to compete against other actors in the market'.⁸¹ This focus on the actions of market participants eliminated regulatory intervention by a state from the purview of this provision.

Second, it provided interpretative guidance for when an act is 'contrary to honest practices'. This is when 'it is done in a manner that is contrary to what would usually or customarily be regarded as truthful, fair and free from deceit within a certain market'.⁸² The focus is therefore on how 'industrial and commercial matters are usually or customarily carried out'.⁸³ Honest practices do not refer to abstract, universal ethical standards but should inductively reflect sector-specific marketplace practices. This aligns with Wadlow's view that in:

defining the relevant standard one is principally concerned with what is actually done ('practised') by the generality of

honest traders rather than any words of theory, admonishment or undeserved self-congratulation. It is not uncommon for actual market behaviour to be a degree or two rougher than market participants will willingly admit to. The defining practice is what is honestly done by participants in the market, not what is piously enjoined by outsiders.⁸⁴

Consequently, Article 10bis(2) 'should be interpreted with reference to standards of honest conduct habitually applied and maintained in the domestic market at issue. What is to be considered as the market concerned needs to be determined based on the circumstances of a particular case'.⁸⁵

Third—and crucially for the argument in this paper—how 'industrial and commercial matters are usually or customarily carried out *differs from market to market*, as do the perceptions of and the standards for determining what constitutes "honest" commercial practices ... [consequently] *there may be some diversity in* how domestic legal systems approach the repression of unfair competition and *what types of acts they cover*'.⁸⁶ The Panel is clear that references to acts contrary to honest trade practices will have local and temporal variations: the Article 10bis phrasing 'does not make for clear-cut, universally accepted standards of behaviour, since the meaning of the terms used is rather fluid. The standard of "fairness" or "honesty" in competition is no more than a reflection of the sociological, economic, moral and ethical concepts of a society, and may therefore differ from country to country (and sometimes even within a country). That standard is also liable to change with time'.⁸⁷ In this regard, unfair competition is similar to other notions such as public morals, which vary according to each Member's social, cultural, ethical and religious values.⁸⁸

Fourth, the Panel held that 'contrary to honest practices' in Article 10bis(2) does have substantive content beyond the three specific forms of misrepresentation in paragraph (3). However, that content is to be filled in at the national level and can vary across the WTO and Paris Convention membership. Thus, the third and fourth finding are related. The *travaux préparatoires* for Paris establish that 'while the negotiators did not endeavour to specify other specific categories of practices against which

79 *ibid* [7.2698]–[7.2699].

80 *ibid* [7.2700]–[7.2795].

81 *ibid* [7.2665].

82 *ibid* [7.2666].

83 *ibid* [7.2671].

84 As argued by Wadlow on *Passing-Off* (n 19) [2-50]–[2-56]; Cf S Ricketson, *The Paris Convention for the Protection of Industrial Property: A Commentary* (OUP 2015) [13.33]–[13.59].

85 *Australia—Tobacco Plain Packaging* (n 20) [7.2675].

86 *ibid* [7.2671] (emphasis added).

87 *ibid*, citing to WIPO, *World Situation* (n 28) [28]–[29].

88 *ibid* [7.2673]–[7.2674].

all countries would be bound to assure effective protection, they had the intention of addressing unfair competition “*sous toutes ses formes*” (“in all of its forms”), and that the specific situations identified in paragraph 3 were provided “*seulement comme un exemple minimum*” (“only as a minimum example”).⁸⁹ Therefore, ‘WTO Members are required not only to prohibit the three specific types of acts identified in paragraph 3 of Article 10bis, but also to provide effective protection against all acts falling more generally within the scope of its paragraph 2.’⁹⁰ Thus, Article 10bis(1) and (2), when read together, are indeed intended to have some sort of normative effect. However, ‘the scope of [these] other practices in industrial and commercial matters ... needs to be considered in the context of the legal systems and conceptions of what constitutes an act contrary to what would *usually or customarily* be regarded as truthful, fair and free from deceit *within the domestic market at issue*.’⁹¹

Fifth, having delegated the determination of the scope of paragraph (2) to each member state, the Panel indicates how this discretion is to be approached. Protection ‘against unfair competition serves to protect competitors as well as consumers, together with the public interest [in competitive markets ... therefore] when determining “honesty” in business dealings, all these factors have to be taken into account.’⁹² In so doing, the Panel endorses WIPO’s approach, which is to balance the interests of these three constituencies.⁹³ This approach has two virtues: it reflects the extant recognition of these protected interests under the rubric of ‘unfair competition’ around the world.⁹⁴ It also responds to concerns of circularity that have been expressed in the past: an approach solely focused on the actual practices of trade sectors in a specific market risks endorsing undesirable or sharp practices, if these are habitually followed in the market in question. If cheating is rampant in a particular market, which will hardly be in the interests of consumers or the broader public interest.⁹⁵

This balancing of interests is evident in the reasoning of British courts, when faced with the question of

whether to expand passing off into something resembling a tort of misappropriation. One finds clear judicial pronouncements that merely copying another’s effort should not be proscribed, bearing in mind the range of interests at play.

There is no tort of copying. There is no tort of taking a man’s market or customers. Neither the market nor the customers are the plaintiff’s to own. There is no tort of making use of another’s goodwill as such. There is no tort of competition ... At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular ... Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition.⁹⁶

[The] law of passing off is not designed to protect a person against fair competition. Nor does it protect a person against the sale by others of the same goods or even copied goods. What it protects is goodwill and it prevents one person passing off his goods or services as those of another.⁹⁷

It is also necessary to bear in mind the balancing exercise underlying the law of passing off, [... described] as ‘a compromise between two conflicting objectives, on the one hand the public interest in free competition, on the other the protection of a trader against unfair competition by others’ ... Apart from the rather narrower point that passing off must involve detriment to the claimant, it is not enough for a claimant to establish copying to succeed. All developments, whether in the commercial, artistic, professional or scientific fields, are made on the back of other people’s ideas: copying may often be an essential step to progress.⁹⁸

In deciding whether to expand passing off, beyond its present taxonomic niche in paragraph (3)(i), into a new tort within the broader remit of paragraph (2), UK courts have overtly weighed the interests of competing traders, consumers and the functioning of competitive marketplaces. Thus far, they have declined invitations to refashion the tort. Each jurisdiction is at liberty to frame its approach to the scope and contents of the general clause, provided this balancing methodology is adopted in setting the boundaries of domestic unfair competition law.

89 *ibid* [7.2678].

90 *ibid* [7.2679].

91 *ibid.* (emphasis added). See further [7.2789] (specifically referring to the Australian market when determining the fairness of commercial practices).

92 *ibid* [7.2680].

93 WIPO, *World Situation* (n 28) [33]–[38].

94 *Status Report* (n 4) 13–15, 173–74.

95 *Wadlow on Passing-Off* (n 19) [2-53]–[2-56]; M Höpperger and MRF Senftleben, ‘Protection Against Unfair Competition at the International Level – The Paris Convention, the 1996 Model Provisions and the Current Work of the World Intellectual Property Organization’ in RM Hilty and F Henning-Bodewig (eds) *Law Against Unfair Competition—Towards a New Paradigm in Europe?* (Springer 2007) 61, 64–65.

96 *Hodgkinson & Corby Ltd v Wards Mobility Ltd* [1994] 1 WLR 1564, 1569–70 (Jacob J).

97 *Fenty (CA)* (n 39) [33] (Kitchin LJ).

98 *Starbucks* (n 40) [61] (Neuberger SCJ).

4. Conclusion

The Panel Report in *Australia—Tobacco Plain Packaging* seems to definitively—and affirmatively—answer the question of whether the UK is in compliance with its international obligations under Article 10bis of the Paris Convention. The suite of economic torts including passing off and injurious falsehood, the equitable action for breach of confidence and various consumer protection regimes, not to mention relevant intellectual property legislation such as trade mark law, protect a range of inter-

ests relevant to this obligation. The UK clearly satisfies Article 10bis(3) and legitimately exercises its discretion as to how to approach Article 10bis(2). This includes the judicial determination that a tort of misappropriation *per se* would detrimentally affect the balance of interests between traders, consumers and a well-functioning, competitive marketplace. Future litigants, or those seeking a new statutory tort, will have to rely on normative arguments to support their case, as opposed to arguments sounding in non-compliance of treaty obligations.