

One Right System for IP – Vision Impossible?

1 – 3 October 2008
Hotel Rantapuisto, Vuosaari, Helsinki

Unfair Competition and a One Right System

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Conference "One Right System – Vision Impossible?"
Helsinki, 3 October 2008



1. Starting point

French Draft Bill for Reserved Creations (30 June 1992, reported by *Le Stanc* [1992] EIPR 438)

Art. 1: Any creation capable of being exploited for profit, resulting from intellectual work, accomplished with or without the aid of hardware or software, constitutes a proprietary interest qualifying for legal protection.

Art. 2: Creations which are not protected by one of the intangible property rights covered by books 1, 5 and 6 of the Intellectual Property Code may nevertheless give rise to a temporary exclusive right of exploitation with effect vis-à-vis all parties. This right may be assigned for a consideration and may be transmitted free of charge.

Art 3: The following are deemed in particular to be such creations for the purposes of this Act: data banks, electronic circuits, photographs, the digitisation of images or sounds, the results of calculations, know-how, compilations, commercial solutions, administrative methods, useful forms, promotional formulas, etc. ...



1. Starting point

Looking for a doctrinal basis.



1. Starting point

UC law protects market transparency ...



misleading advertising



confusion as to source

**Carlill v Carbolic
Smoke Ball Company**
[1893] 1 QB 256

Reckitt & Colman v Borden
[1990] 1 All ER 873

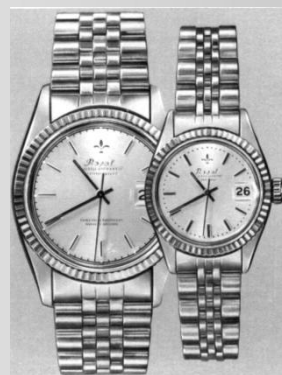


1. Starting point

... and investment into goodwill, possibly even without misrepresentation ...



Rolex



Tchibo

misappropriation
of goodwill

BGH GRUR 1985, 876 – *Tchibo/Rolex*



1. Starting point

... and perhaps even investment as such against misappropriation ...



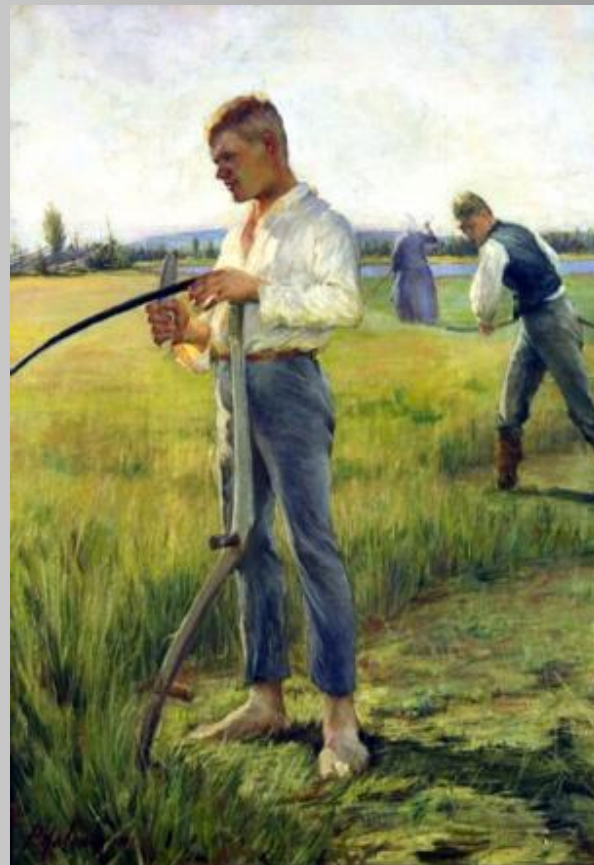
AP Associated Press

INS v AP
248 US 215 (1918)



1. Starting point

... i.e. against
reaping
without
sowing.



Pekka Halonen, Reapers (1891), www.tuusula.fi



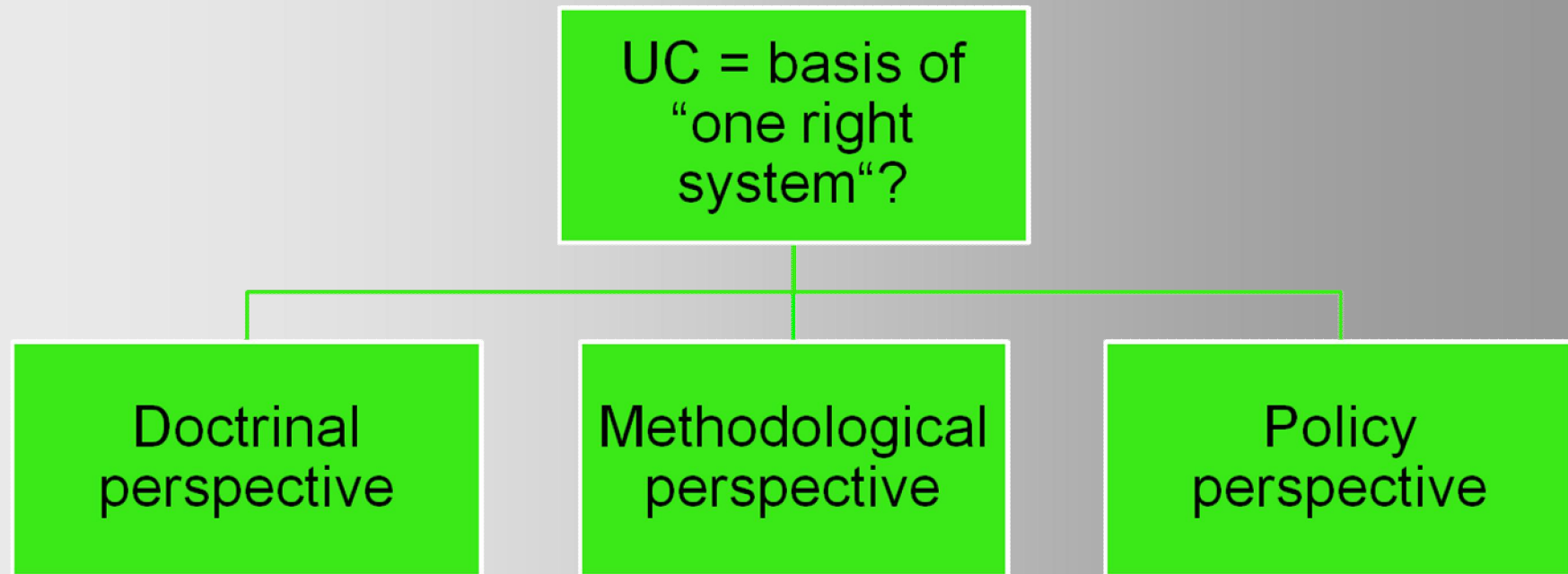
1. Starting point

Playing the devil's advocate

- Unfair competition law
 - prevents confusion as to source (→ TM law)
 - protects investment against misappropriation (→ patent and copyright law)
- UC = soil from which IP rights grow
- Unfair competition = basis of “one right system”
 - Strong claim: UC law should replace IP rights
 - Weak claim: IP rights are embodiments of UC doctrine
→ IP + UC as “catch-all provision”



1. Starting point

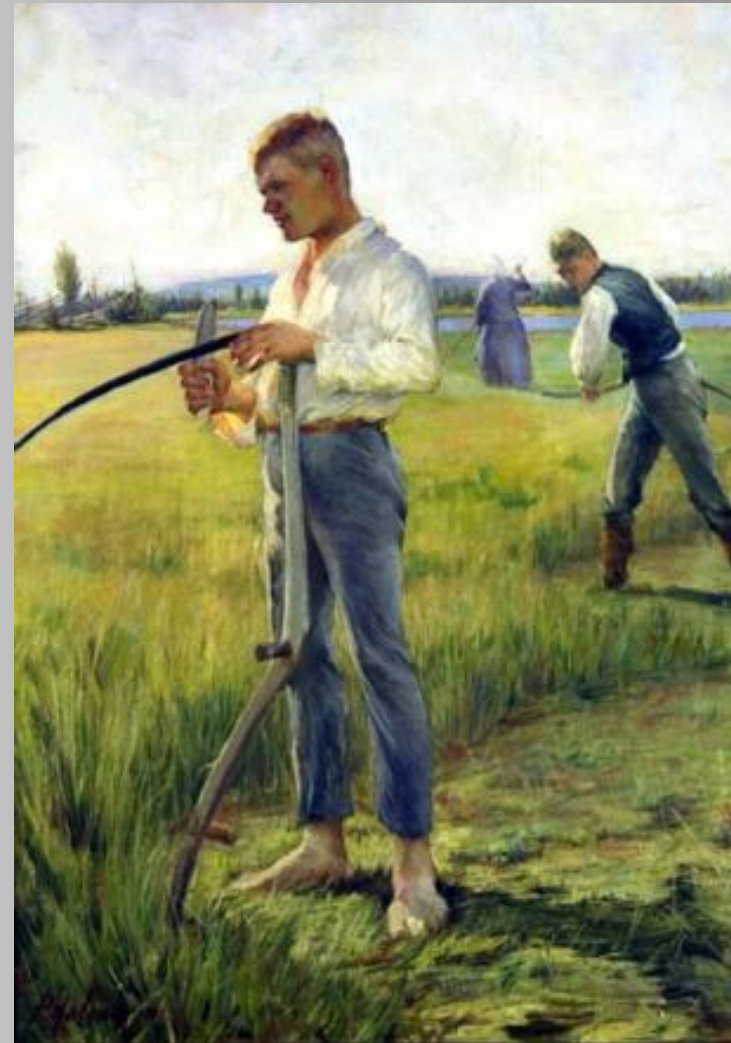




2. The doctrinal perspective

The doctrinal question:

- Do all jurisdictions agree on what unfair competition law is about?
- Do we all agree that it is about misappropriation?





2. The doctrinal perspective

International / European law

- Art 10^{bis} Paris Convention: dishonest practices, in particular
 - Creating confusion
 - Denigrating Competitors
 - Misleading consumers
- Art 5 Unfair Commercial Practices Directive (2005)
 - Commercial practices in B2C-relations
 - which are contrary to the requirements of professional diligence and
 - which are likely to distort consumer behaviour.
- Directive on misleading and comparative advertising (2006)



2. The doctrinal perspective

Civil law perspectives

- Broad prohibition of unfair practices + specific categories
- Monism versus dualism
 - Monistic concept (e.g. A, B, CH, D, E, S): Protection of traders, consumers and general public
 - Dualistic concept (e.g. F, I): UC = specific branch of tort law which protects traders against unfair practices, distinct from consumer protection law
- Administrative control versus private law model
 - Supervision by competition authority, ombudsman or other administrative body (majority of EU states)
 - Civil actions only, locus standi of consumer organisations (A, CH, D)



2. The doctrinal perspective

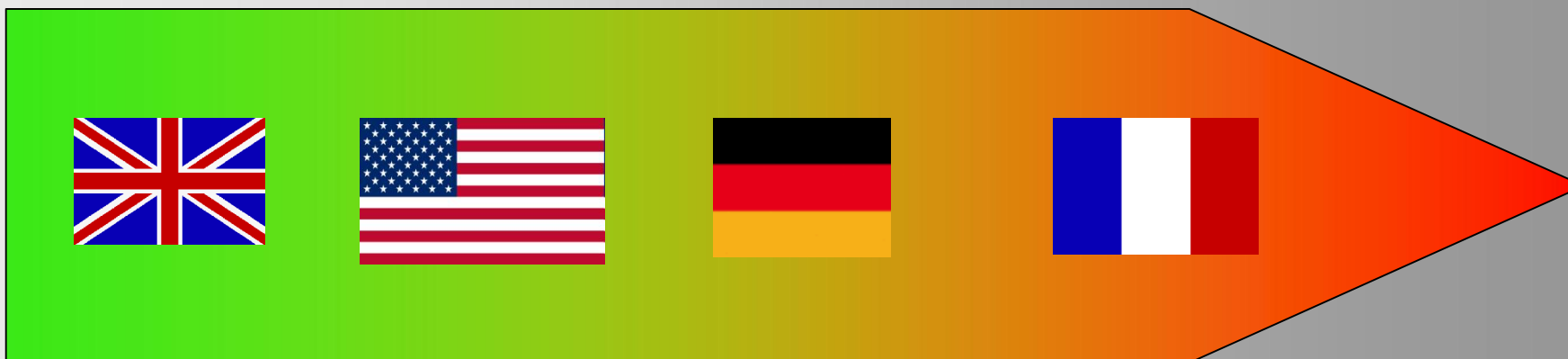
Common law perspectives

- English law:
 - Scope unclear: (i) synonym of passing off, (ii) misappropriation doctrine (iii) umbrella term
 - Scepticism: “... there are real difficulties in formulating a clear and rational line between that which is fair and that which is not”
(*L'Oréal v. Bellure*, [2007] EWCA Civ 968, Rn. 139, per *Jacob LJ*)
- US law:
 - Generic term covering confusion as to source, false advertising, misappropriation of trade secrets, etc.
 - Misappropriation doctrine in *INS v AP*, but powerful dissent by *Justice Brandeis*, pre-emption issue



2. The doctrinal perspective

How about misappropriation?



passing off,
but no tort
of “unfair
copying”

pre-emption
restricts state
mis-
appropriation
doctrines

imitation
permitted, but
marketing may
be unfair

parasitic
competition =
unfair



2. The doctrinal perspective

Analysis I

- UC law = a doctrine in search of a principle
- UC and IP: distinguishing factors
 - UC = tort law rather than property law
 - Consumer interest as decisive factor
- Functional approach: protection of market processes
 - Market transparency and protection of rational consumer choice (misleading advertising, aggressive advertising)
 - Where competitors' interests collide, consumer interest may decide (comparative advertising, confusion as to source)



2. The doctrinal perspective

Analysis II

- What if consumer interests are not directly affected?
- UC law may protect trade values
 - Protection of goodwill against disparagement: damage not outweighed by competitive advantage
 - Trade secrets: cost/benefit analysis, importance for innovation
- But justification may be doubtful
 - Misappropriation of goodwill w/o misrepresentation
 - „Slavish“ imitation
- At present state UC doctrine is least clear where interests protected by IP (other than TM) are involved



3. The methodological perspective

The methodological question:

- How can we draw the line between “fair” and “unfair”?





3. The methodological perspective

Drawing the line between fair and unfair

- „Fairness“ / „honest practices“ are functional terms, not moral standards
- From detailed examples to general rules
- Example: Unfair Commercial Practices Directive
 - Step 1: „Black List“
 - Step 2: detailed provisions on misleading / aggressive conduct
 - Step 3: general prohibition of „unfair practices“
- Flexibility
 - Open-textured provisions allow balancing of interests
 - Influence of constitutional law



3. The methodological perspective

Analysis

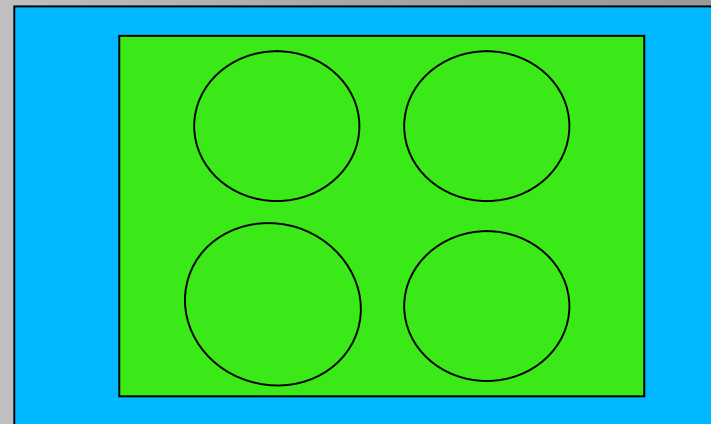
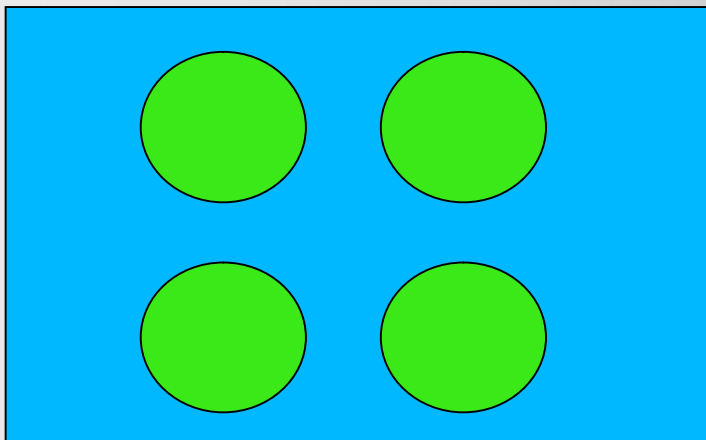
- Tendency towards combination of
 - detailed examples
 - provisions of medium range (e.g. prohibition of misleading practices)
 - and "general clause" as "catch-all" provision
- Combining reasonable amount of certainty with necessary flexibility
- A model for IP law?
 - UC elements already exist in IP law (e.g. well-known marks)
 - the case of copyright exceptions
 - only feasible possibility of "one right system"



4. The policy perspective

The policy question:

- Should there be a closed number of (reasonably) well-defined IP rights?
- Or should there be a “catch-all provision” which would allow the courts do strike a balance between protection and freedom on a case-by-case basis?





4. The policy perspective

Unfair competition and IP

- Freedom deliberately left by IP law must be respected
 - US: pre-emption
 - EU: subsidiarity of unfair competition law
- Strong case for efficient protection against deceptive conduct, even outside the ambit of TM law, but:
 - Application of “rational consumer“ model
 - Functionality defence
 - No perpetuation of monopolies
- But how about cases of non-deceptive imitation, which have not yet been the object of legislation?



4. The policy perspective

The case for a flexible „catch-all“ provision

- Scope of protection tailor-made
- Balancing incentives and accessibility on case-by-case basis, dead-weight loss can be restricted to minimum
- Flexible reaction to new technologies / market developments = “pacemaker function“ of unfair competition law (*E. Ulmer*)
- Avoiding a “property logic”
- IP rights can be restricted to core area
- No need to squeeze square pegs into round holes



4. The policy perspective

The case against

- Imitation is the lifeblood of a competitive economy
- Lack of legal certainty may undermine investment in innovation and imitation
- Courts may be ill-equipped to fully analyse possible impact on markets
- The result could be “a hybrid system of protection that is vague but violent” (*C. Le Stanc*)



5. Conclusion

Conclusion: UC as “the one right“?

- Advantage: flexibility
- Could supplement narrowly defined IP rights
- Caveat 1: doctrine far from clear, especially where consumer interests are unaffected
- Caveat 2: uncertainty of general clause must be reduced by specific examples → “strong claim” must be rejected
- Caveat 3: general protection against misappropriation without misrepresentation is dangerous, even if controlled by a strict subsidiarity / pre-emption doctrine
- Too dangerous?



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**Thank you very much for your
attention!**