

**Call for Evidence: Review of the enforcement provisions of
the Consumer Protection from Unfair Trading Regulations
2008 in respect of copycat packaging**

Response submitted on behalf of Aldi Stores Limited

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Introduction and Summary

There is a proposal that a new statutory tort of copycat packaging be introduced that would be actionable by the aggrieved party. In brief, such a proposal is ill-conceived and ill-founded. It is ill-conceived, because it is hopelessly vague in scope and so would create legal uncertainty that would stifle competition due to the risk of uncertain litigation and more than likely lead to increased costs as parties sought legal advice upon the matter. It is ill-founded, because the current forms of protection that are available, for example trade mark infringement and passing-off, provide sufficient protection for a trader to prevent (a) any confusion over trade origin; (b) any unfair competition that would affect the reputation or distinctive character of its mark; and, (c) any operative and material deception concerning its products. There is no reason to confer greater rights upon a trader to the detriment of free competition that is to the advantage of the general public.

The current law

Currently, the principal torts that protect a trader from unfair competition are trade mark infringement and passing-off.

In order to commence an action for trade mark infringement, it is a necessary precondition that the trader has secured a registration for the mark in question. This examination process ensures that the mark is distinctive of that trader's goods and services and none other. The registration process provides safe-guards whereby the public interest is protected from traders trying to obtain rights to which they are not entitled, e.g. registrations for descriptive words or elements. This is important, as once registered, the mark is immediately entitled to protection against signs that are confusingly similar to it. This confusion may arise before or after the sale, and creates a liability even if the consumer realises before the sale is completed that in fact the goods bearing the offending sign do not originate from the trader who owns the mark. The scope of protection is therefore quite wide, and protects the trader from more than just goods that falsely deceive the consumer into believing that they originate from the trader. Therefore, it gives protection against more than just those sales that have been diverted due to consumer wrongly assessing the trade origin of the goods in question.

Further, for a mark with a reputation (which has been acquired through the expenditure of time and effort in educating the public), even greater protection is conferred upon a registered trade mark. If the use is without due cause (a defence that is very difficult to establish), and that use would take unfair advantage of, or be detrimental to, the distinctive character or repute of the mark, then that offending use may also be prevented. This provides protection against a competitor "riding on the coattails" of the reputation associated with a mark, even if the consumer is never confused as to the trade origin of the offending product, *i.e.* the consumer knows that the offending product does not originate from the owner of the trade mark, but comes from some other independent competitor. This penumbra of protection is very wide,

as it provides protection for all the associated assets of a trade mark, such as its marketing function and reputation in the marketplace.

The tort of passing-off is narrower, as befits a right that arises without the scrutiny of having been examined, and for which no renewal fees are due. The tort requires there to be an operative, material misrepresentation that cause damage to the goodwill that is associated with the business operated under or by reference to the indicium in question. (the word “indiciu” is the correct term for any unregistered element that is used to signify a trade link between some goods and services and a particular business. It is commonly, but incorrectly, called an unregistered trade mark.) The essential touchstone is that the misrepresentation is material and operative. Materiality requires that it is more than trivial and more than transient in nature. Operative requires that it affects the economic behaviour of the consumer. Thus, a potential consumer who for a mere moment confuses the allegedly offending item with the trader’s goods, but who almost at once realises the mistake is not deceived for the purposes of the tort of passing-off. Mere initial interest confusion, without affecting the economic behaviour of the consumer is insufficient. In this regard, it is narrower in scope than trade mark infringement. However, the value of passing-off lies in the fact that it is a common law tort that is not constrained by the wording of any formal statutory provisions that might not have evolved in line with the behaviour of the consuming public. Thus, for example, before the trade mark legislation was amended to extend to services in 1986, the tort of passing-off protected the services as well as the goods of traders. Further, passing-off may be used to protect classes of goods, such as Champagne or Swiss Chocolate, or merchandising activities in a way that is far more flexible than provided by trade mark legislation, and it is far better adapted to dealing with evolving trading patterns.

The Marketplace

The sophistication of consumers has increased in recent years. To use an extreme example, most people are now literate, and so the old cases of sweets or washing powder being sold in distinctively coloured wrappings, without further written marks, are no longer of general applicability. Consumers are well aware that in each market sector there are elements that donate characteristics of the goods in question. (It is nearly always goods that are in question, but one of the problems with the proposed tort against copycat packaging is that it could potentially encompass services as well where the packaging would include elements that are associated with the services, for example jingles on radio adverts or point-of-sale materials.) So, for example, colours are used to indicate certain characteristics for goods, such as dark red for plain chocolate and blue for milk chocolate products, or different colours for different sizes of inter-dental toothbrushes.

Consumers are protected against the use of signs that deceive them about the trade origin of the goods in question. They are also protected against the use of signs that merely confuse them as to trade origin, but in circumstances where the consumers realise their mistake before consummating the purchase. They are further shielded from the use of signs that, even though there has never been any doubt about the

trade origin of the offending goods, the sign used brings to mind the mark of the concerned trade and so forms a link between the two. The last two forms of protection, require the mark to be registered, while the last form also requires the mark to be proved to have a reputation. Those extra requirements limit the protection to those marks in which significant investment has been made by the trader in educating the public as to the trade origin of the goods and the associated reputation.

The consumer currently may rely upon generic clues such as colour to inform them as to the non-origin characteristics that the product in question is likely to possess. That is useful information for the consumer, and means that goods that have similar characteristics may inform the consumer that they share those characteristics. This allows the consumer to make an informed choice between similar goods. That is competition that benefits the public, as it makes it easier for the public to identify the goods that have similar characteristics and then allows them to make an informed choice between them, without any risk of being deceived or confused as to trade origin.

Currently, consumers are deemed to take reasonable care over their purchases, and so careless consumers are not protected from themselves. The balance struck requires the consumers to take some responsibility for their actions.

The proposal

It seems that the new right would arise without the need for any examination or registration, and so deprive the public of the chance to question the scope of the right being sought. Further, it would appear also that the right would arise immediately, without the need to show that the elements concerned are, in fact, understood by the public as indicating that the goods in question originate from one, and only one, trade source. It would also appear that the right would be unending in duration.

These three factors would amount to a massive extension of rights.

For example, (without naming names) a trader claimed rights in the dark colour of a bottle that contained an essential oil, and sought to prevent others from using a similarly dark bottle. It has long been the case that essential oils are stored in dark coloured bottle to reduce the rate of photo-oxidisation. Such a claim would most likely have been rejected at any *ex-parte* stage of a trade mark registration process, but would not be prevented by the proposed new tort of copycat packaging because there is no examination. Further, the same trader claimed rights in the colour of its packaging. If registration had been sought for that colour, then extensive evidence of acquired distinctiveness would be required to make good that claim. The prospect that a single colour *per se* was distinctive inherently of a particular trader's goods would be rejected summarily by any trade mark office. In this context, it has never been part of the law of trade marks that a unique colour applied to the packaging of the goods is inherently distinctive of a particular trader. The public would take such a

colour as decorative until it had been educated to realise that it was uniquely associated with one, and only one, trader. That requires considerable expenditure of time and effort. Without that requirement, the number of available colours that could be used by honest traders would rapidly become exhausted, and so prevent any new trader from entering the market.

If the test for invoking, for example, a particular colour for the packaging is set lower than the hurdle to establish distinctiveness (as opposed to uniqueness), then at what level would that new hurdle be placed? Distinctiveness is already hard enough to gauge and prove. If the hurdle were set any lower, then it would be almost impossible to judge the matter, and so impossible to assess whether or not there is a risk. That uncertainty will result in some traders avoiding the potential conflict, and so depriving the consumers of choice. It is no answer to say that the new goods can be marketed in a different colour, because by so doing one is depriving the consumer of one clue that the goods might be similar to the goods in question and so worthy of consideration when contemplating which one to buy. It reduces the chance that the new product is even considered as a potentially similar product, and so narrows the number of products that the consumer will consider has the required characteristics, potentially, to just one product, namely that of the aggrieved trader. That is the objective of the proponents of a law against copycat packaging, namely to eliminate all competition of similar products to the detriment of consumer choice. It is pertinent to note that the choice that is being denied to the consumer is being able to obtain a product that has the same or very similar characteristics for less money, as the traders in question typically only complain about being undercut, rather than the sale of more expensive products. So the choice will be between having the expensive product or nothing, rather than between the expensive product and one that does almost the same thing at a lower price. The heart of the matter is the maintenance of pseudo-monopoly pricing and the related profit margin.

Further, what will be the touchstone for the creation of liability? Currently, there are three: (a) confusion as trade origin; (b) taking unfair advantage, & without due cause; and, (c) a material and operative deception. Those tests prevent the consumer mistakenly buying the wrong product, or confusing for a while the products in question, or even being lured towards a competing product that forms an improper association (in the sense that the reputation or distinctive character of the mark would be wrongly impugned) with the goods in question. A test of merely looking alike is hopelessly vague, yet clearly immensely wide. All red cars look alike in the sense that they are red, even though the red in question might be different and the cars might also be different and not similarly in any other respect. It is foreseeable that if traders were given any such new rights, then they would try to overreach the limits of any proper scope of protection by claiming that the offending goods were similar merely because they had common colouration, or shape or size of packaging or written elements. All of those features might be common in the trade and so either convey no information to the consumer or merely indicate that commonly marked goods have similar non-origin characteristics. Even under the current regime, examples exist of traders claiming that, say, oil sold in 50 ml bottles is offensive because it is too close to a trader's product sold in 25 ml and 100 ml bottles (as it

forms a natural intermediate size). Any further extension of rights would encourage such frivolous claims. Those allegations cost money to formulate and more money to refute: money that in essence is wasted and that the consumer eventually has to fund in increased prices.

In this context, the aphorism that one should weigh the consequences that could result from a law that is misapplied against the good that could be achieved by it being properly applied is particularly apposite. The wrongs clearly outweigh any potential good: higher transactional costs, reduction in choice, and elimination of competition versus greater profits for a few traders.