HM Government

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

A copy of the consultation on **Call for Evidence: Review of the enforcement provisions of the Consumer Protection from Unfair Trading Regulations 2008 in respect of copycat packaging** can be found at:

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Postal Address:

Ana de Miguel
Consumer and Competition Policy
Department for Business, Innovation and Skills
1 Victoria Street
LONDON SW1H 0ET

Tel: ++44 (0) 7768273619

Email: CPRs.copycat@bis.gsi.gov.uk

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The closing date for this consultation is: **19 May 2014**

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Your details

Name: Christopher Morcom Q.C.

Organisation (if applicable): Hogarth Chambers

Address: 5 New Square, Lincoln's Inn, London WC2A 3RJ.

Telephone: 02074040404

Email: cmorcom@hogarthchambers.com

Please tick the box below that best describes you as a respondent to this call for evidence

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☒ Other (please describe) Independent Barrister (Q.C.) in private practice at the Bar of England and Wales, specialising since the late 1960's in Intellectual Property law.

Issues – your comments

As anticipated in the Terms of Reference, we consider the following to be the main issues raised by this review. Anyone responding should feel free to raise other points, however, if they think they are relevant. In responding it would be particularly helpful if you could supply any underpinning evidence, examples, case studies or estimates to help illustrate your points.

Issue 1: The nature and scale of any problems associated with the current enforcement arrangements.

RESPONSE

'Copy-cat' products, principally in major supermarkets and the like, have been of very great concern to brand owners for approximately 20 years. The problem is well-documented. The British Brands Group can provide considerable evidence, and further information is to be found (inter alia) in the Research commissioned by the UK Intellectual Property Office and concluded in 2013 ("The Impact of Lookalikes – Similar packaging and fast-moving consumer goods").

The problem was addressed in the Gowers Review of Intellectual Property (1 December 2006). See in particular paragraphs 5.82-5.89 and Recommendation 37. See also my article (attached) in the European Intellectual Property Review [2007] page 125.

The many instances of look-alike products are clearly not explicable as 'coincidence'. The practice is deliberate, the intention being to divert business from the brand owner. To quote a communication from an official at the Office of Fair Trading in about April 2013:

"*In the area of lookalike packaging, there have been a number of research findings and surveys published over the years (several of them by business organisations with a strong interest in IP protection), but none have provided sufficiently conclusive evidence of consumer detriment to support prioritisation of enforcement action by us in respect of such issues. The research suggests that a significant number of consumers may regard the presence of look-alikes on the market as advantageous to them. This is largely because many consumers, as well as competitors, find that similarity in packaging and presentation of potential substitute products performs helpful signalling and cueing functions which enable them to be more aware of the choices available to them, both in terms of product specification and product price.*"

The last sentence, with its reference to "cueing functions" and "product specification" encapsulates the real motives of the copiers.

The suggestion of the retailers, and of the OFT, has always been that brand owners have sufficient remedies at their disposal in the form of proceedings for infringement of registered trade marks and for passing off. But this does not stand up to scrutiny. Registered trade marks are more often than not of little use, because of the difficulties involved in obtaining registration of the designs of packaging without including the brand name. Copiers rarely choose a name which can be said to be confusingly similar to the brand name concerned, and registration of the design of the packaging is likely always to be difficult to obtain without the support of evidence of "acquired distinctive character" resulting from use. The copiers frequently launch copy-cat products when the branded product in the particular form imitated has not been on the market for very long, and not for a sufficient period to be able to establish acquired distinctive character.

Similar difficulties arise for brand owners seeking to rely on the law of passing off. The copy-cat product often appears before the brand owner has the means to prove 'reputation' which is the first essential requirement of the law of passing off. This was explained succinctly by Gowers (para 5.84).

It should also be noted that the Paris Convention, to which the UK is a party, imposes obligations (Arts 10 bis and 10ter) on Members to provide *effective protection* against 'unfair competition', and appropriate remedies. These obligations were re-affirmed in Art 2 of the TRIPS Agreement of 1994 (Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization). Although a number of EU Member States have passed specific laws against Unfair Competition, the UK have to date not done so. One company now well-known for selling copy-cat products would never get away with such conduct in their home country. It is submitted that the existence of protection for registered trade marks and the law of passing off do not amount, separately or together, to effective protection against acts of unfair competition, as exemplified by copy-cat products.

Some brand owners have suggested that there is an enforcement gap in that the current enforcers have not devoted sufficient resources to tackling copycat packaging (where the brand owners say, it infringes the prohibition in the CPRs and the average consumer takes, or is likely to take, a different decision as a result). Our understanding is that, notwithstanding the fact that there is an absence of consumer complaints, the enforcers have considered carefully the evidence presented by businesses. The enforcers do not consider that it establishes that copycat packaging causes significant consumer detriment or other adverse effects on the market. They do not therefore give priority to enforcement action over and above other more clearly detrimental practices.

We would be interested in any views and supporting evidence as to whether there is an enforcement gap and, if so, the extent of it.

RESPONSE

There is indeed such an enforcement gap. It is clear from the "OFT Prioritisation Principles", published in October 2008, that the focus has been entirely (although, it is submitted, not adequately) on the perceived interests of consumers. The OFT have simply not been interested in practices which have detrimental effects, in particular, on the businesses of brand owners. So far as other enforcement bodies are concerned, it is

widely perceived that Trading Standards Authorities do not have the resources required for effective enforcement against instances of copy-cat products, however flagrant.

Consumer detriment is considered further under Issue 2 below. But if consumer detriment is a requirement before action can be undertaken – which it is submitted is not the case under the Unfair Commercial Practices Directive ('UCPD') - then evidence is provided by the numerous examples of purchasers mistakenly buying the copy-cat product in the belief that it is the branded product or is manufactured by or in some way commercially connected with the brand owner. Protection for registered trade marks (now under the Trade Marks Act 1994) and protection against passing off are provided not only for the benefit of the businesses concerned, but also for the protection of consumers against being misled or deceived. So a mistaken purchase involves detriment to the consumer as well as to the brand owner.

That there is an enforcement gap is clear both from the OFT's Prioritisation Principles and from the fact that the Government, when implementing the UCPD in 2008 (by The Consumer Protection from Unfair Trading Regulations 2008, SI 2008/1277) did not provide for enforcement by "*persons or organisations regarded under national law as having e legitimate interest in combating unfair commercial practices, including competitors*", as was allowed under Article 11 of the UCPD.

Issue 2: What is the extent of any consumer detriment arising from copycat packaging?

Closely linked to the previous issue is that of consumer detriment, given the reliance the enforcers have placed upon it. We should be interested in views and evidence as to the extent to which consumers are suffering from copycat packaging. Last year the Intellectual Property Office (IPO) commissioned some independent research *The Impact of Lookalikes: similar packaging and fast moving consumer goods* from the Intellectual Property Institute.

The report is available here http://www.ipo.gov.uk/ipresearch-looklikes-310513.pdf. The IPO and the British Brands Group (BBG) have discussed the report. Their common understanding on its key findings is that there is a lookalike effect. In essence:

Consumers are more likely to make mistaken purchases if the packaging of products is similar and there is strong evidence that consumers in substantial numbers have made mistakes;

Consumers' perceptions of the similarity of the packaging of goods are correlated with an increased perception of common origin and to a material degree. There is also an increased perception of quality;

The lookalike effect increases consumers' propensity to buy a product in similar packaging;

The lookalike effect increases consumers' propensity to buy a product in similar packaging;

Better sales data might allow more reliable conclusions to be drawn on the impact of lookalikes on consumers and businesses, as current data has limitations;

There may be limits to the UK's ability to legislate beyond the provisions of the Unfair Commercial Practices Directive in areas within its scope; and

The evidence exploring whether German unfair competition law provides a more advantageous regime for tackling lookalikes is inconclusive.

We would be interested in views on the report, on the interpretation of it above, and any other evidence on the impact of copycat packaging.

RESPONSE

Before referring to the Report mentioned above, I wish to comment on the suggestion that the issue of consumer detriment is "closely linked" to the previous issue. If there is a close link, this is only because of the reliance placed on it – unjustifiably it is submitted – by the enforcement authorities, no doubt as a result applying the limits arbitrarily set by the OFT Prioritisation Principles. Furthermore, in applying those principles, as such, it is submitted that the OFT in particular has taken an unduly narrow view of the meaning of "consumer detriment". As explained in the last section of this response, a consumer suffers detriment if he or she makes a mistaken purchase, for instance in the belief that the copy-cat product is made by or licensed by the brand owner, or is exactly the same as regards content. The Report commissioned by the UK IPO, in its conclusions about the "look-alike effect", provides cogent evidence of actual consumer detriment.

But it is submitted further that the UCPD does not require 'consumer detriment' to occur before any enforcement can take place. Viewed as a whole, it is clearly relevant for the purposes of the UCPD if detriment is suffered by brand owners. As stated in (6) of the Premable to the UCPD, "This Directive therefore approximates the laws of the Member States on unfair commercial practices, including unfair advertising, which directly harm consumers' economic interests and *thereby indirectly harm the economic interests of legitimate competitors*" (italics added). By way of further emphasis, the preamble continues: "It neither covers nor affects the national laws on unfair commercial practices which harm only competitors' economic interests .....".

Thus, it is clear that the Directive does not preclude Member States from legislating against acts of unfair competition. It would indeed be quite extraordinary if the Directive were to be interpreted in a way which precluded Member States from bringing their laws into compliance with provisions in international treaties, such as the Paris Convention and TRIPS, to which all Member States are, it is understood, parties.

Issue 3: The equivalent enforcement provisions existing in other Member States and how they have worked.

Copycat packaging is potentially subject to different legislation across Europe. In the UK there is the law of intellectual property (trade marks, designs and copyright), malicious falsehood, groundless threats, and the tort of passing off. Other EU Member States

provide protection either through unfair competition law or through unfair commercial practice law. Some of these countries have specific provisions on copycat packaging. As noted above, Article 11 of the UCPD contemplates that "competitors" might have an enforcement role and some countries do allow businesses to take civil (injunctive) action against other businesses.

In 2011, Hogan Lovells carried out a study for the European Commission aimed at providing clarification on the legal framework and practices, in the 27 Member States of the EU, of protection against what it describes as "parasitic copying". A copy of the study is available at: http://ec.europa.eu/internal_market/iprenforcement/docs/parasitic/201201-study_en.pdf

We would be interested to learn more about how these systems work and what has been the response of consumers, businesses and retailers. It would be very useful to have specific examples of the litigation that has taken place in relation to copycat packaging and its outcome.

We note that the Irish legislation implementing the UCPD (the Consumer Protection Act 2007) gives businesses a right to apply for a court order to prohibit copycat marketing, but the right is a broad one in that it applies to alleged infringements of all of the UCPD's provisions and it extends not only to businesses. Since the Irish legal system is in some ways similar to the UK's, we would be particularly interested to hear how this system has worked and if there are any particular issues in respect of copycat packaging in Ireland.

RESPONSE

I am not personally in a position to provide information as to how effective are the laws in other EU Member States have been in dealing with the problem of look-alikes, if indeed it exists in those Member States. But I have heard, over the years, of instances in which unfair competition laws, enacted no doubt for compliance with provisions such as Arts 10bis and 10 ter of the Paris Convention, were effective in dealing with look-alike products. It may be added that if it is found that in some Member States there is no real problem, or there is a low incidence of look-alike products, this is due to such laws as have been enacted there. The fact that Ireland has given businesses a right to seek a court order to prohibit copycat marketing is to be understood as a clear indication that – as is plain from the wording of UCPD Art 11 – that there is no legal obstacle to giving businesses such a right of action.

Issue 4: The costs and benefits of giving businesses the right to take civil (injunctive) enforcement action against copycat packaging, including any effects on competition and innovation.

Giving businesses enforcement powers might be expected to bring potential costs and benefits which it would be helpful to assess. Costs might include more enforcement before the courts and benefits might relate to addressing such consumer detriment as arises at present. We would be interested in any views on these issues.

Of particular interest are any effects the proposal might have on the operation of markets, especially in relation to competition. Brand reputation can lower search costs for consumers, by enabling them to draw on their experience and other information about a product, but this mechanism only works if consumers can be confident they will purchase what they want to purchase. Equally, businesses will not invest in higher quality goods and services (and innovate) if they are not confident that consumers will correctly be able to distinguish them from lower quality ones. This potential market failure is addressed by the trademark system but, in theory at least, if consumers are being significantly misled by copycat packaging the market might be failing to work.

On the other hand, and again in theory, brand reputation can create strong market power and make a market less contestable. By erecting barriers to entry and inducing market segmentation (by persuading consumers that similar products are different), branding may give rise to competition concerns.

There is a fine line between confusing packaging and using generic cues to provide useful signs to consumers1. We should be interested in any views or evidence which relates the issue of copycat packaging to competition and innovation.

RESPONSE

I would make the general comment that businesses need to be confident that consumers with be able correctly to distinguish their products from other products, not necessarily only "lower quality" ones. As explained above this kind of problem is not adequately addressed by existing trade mark law or the common law action for passing off. I disagree strongly with the suggestion that there is a "fine line between confusing packaging and using generic cues to provide useful signs to consumers". Imitating, closely and intentionally, the get up of a branded product is not to use a "generic cue". **Copy-cat packaging is not 'innovation'.**

Issue 5: How the power would work and what impact might there be on the way in which enforcement of the CPRs operates in the UK.

Giving businesses enforcement rights over consumer legislation would be novel in the UK and we would be interested in views on how it would work in practice. It could result in a very different enforcement model than currently exists in the UK. In particular, might it cut across public enforcement which, as described earlier, can be carefully calibrated to suit the circumstances? Would it lead to a more litigious regime? Might it even give rise to mischief-making?

On the other hand, the test to be met before the courts would be the same as now and it would focus on whether consumers have been misled, and not on whether competitors had lost business. In addition, given the financial pressures that the public sector including public enforcers face, would there be real benefits in mobilising private sector resources in this area?

RESPONSE

[1] "The effect of Lookalikes: similar packaging ad fast moving consumer goods" page 5, by Philip Johnson, Johanna Gibson and Jonathan Freeman.

UCPD appears to give Government the necessary powers. It may be helpful to give further consideration to using the European Communities Act 1972, if that should prove to be necessary.

It is unfortunate that the review is restricted as stated. In principle there seems to be no reason why the rights given to businesses should be restricted to seeking injunctive relief. Other usual remedies available to claimants, as in intellectual property cases and provided for in the Enforcement Directive (DIRECTIVE 2004/48/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 29 April 2004 on the enforcement of intellectual property rights) should be available.

Issue 7: Whether there are any legal or policy issues to be resolved and the scope of any implementation task.

We have noted above some of the policy issues raised by this review and some of the legal advice we are seeking. We will consider when the review has progressed further what issues remain unresolved and what would be involved in implementing any proposals.

RESPONSE

I have nothing further to add.

Issue 8: The nature and scale of any risks associated with both continuing the present arrangements and giving businesses a civil injunctive power.

We have alluded above to a number of important considerations, pointing in different directions, which will be hard to quantify or indeed judge, such as the risk of more litigation. We shall be seeking to firm up views on some of these matters as the review progresses but in the meantime we would be interested in views – particularly those supported by evidence – on what constitute the most important risks.

RESPONSE

I do not wish to add anything under this head.

Issue 9: Other issues

I do not consider that what would be involved could fairly be described as "giving businesses enforcement rights over consumer legislation". I have already commented on the 'consumer detriment' approach. What would be involved – which is not particularly 'novel', as the Irish Government has demonstrated – is the extension of the rights of enforcement to businesses affected by the unfair practices, as permitted by Art 11 of the UCPD. It would be an extension of the rights of business to take action against acts of unfair competition, thus representing a step towards better compliance with the UK's treaty obligations under the Paris Convention and TRIPS. I cannot comment on "cutting across public enforcement", which in any case does not seem to be happening in the area of copy-cat products. Mischief making can regrettably occur in any field, but I do not see this as a real problem in this particular instance.

I agree that the test to be met before the courts would be similar in some respects to the tests of trade mark infringement and passing off, but not identical. As I trust I have made clear, a right of enforcement against unfair competition would take the protection of businesses affected further, and necessarily so. The granting of enforcement rights to businesses could indeed mitigate the financial pressures faced in the public sector.

Issue 6: What legal changes might be needed to provide businesses with the right to take civil (injunctive) enforcement action against copycat packaging, including defining the practice covered by the private right of action in order to capture what is intended without providing too broad a power.

Giving businesses an enforcement right would not readily fit in with the system described above of designating enforcers on the basis of statutory criteria orientated around protecting the collective interests of consumers. In practice, it would likely require substantial modification to the current civil enforcement regime or the setting up of a new one, with significant amendment to Part 8 of the Enterprise Act 2002 (which is a general enforcement regime for consumer law, not one restricted to the CPRs). The Department will consider further whether any such change could be made under section 2 (2) of the European Communities Act 1972 (under which the CPRs were made) or whether reliance on some other powers or primary legislation would be required, but if respondents have any views we would be interested to see them.

The review is restricted to considering the case for providing businesses with a power to take civil injunctive action against copycat packaging and is not addressing other aspects of enforcement of the CPRs including a wider enforcement power for businesses. This implies that the practice can be readily identified among those prohibited by the CPRs. Again, the Department will be considering the legal issue further but would be interested in views including on whether a reference to Regulation 5(3)(a) would suffice for this purpose.

RESPONSE

The system of 'designating enforcers' in the way in which it has been done in the UCPD is what causes the problem. Given the general provisions of Article 11, which appear to have permitted the Irish government to give the rights to businesses, mentioned above, it is not understood why there should be any need to amend the Enterprise Act 2002. The

We would be particularly interested if respondents consider there are any significant issues we have not so far identified.

RESPONSE

Nothing further at this stage

12 May 2014

Consumer and Competition Policy Directorate

Department for Business, Innovation and Skills

April 2014

Thank you for taking the time to let us have your views on this call for evidence. We do not acknowledge receipt of individual responses unless you tick the box below.

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Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

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