English Unfair Competition Law

Richard Arnold

Published online: 31 January 2013

© Max Planck Institute for Intellectual Property and Competition Law, Munich 2013

Abstract For over a century, it was generally accepted that England had no law of unfair competition. In this article I shall suggest that it is time to recognise that there is such a thing as English unfair competition law, and I shall explore its place in international and European unfair competition law.

Keywords Unfair competition law · Consumer protection law · Trade mark infringement · Passing off · Malicious falsehood · Breach of confidence

1 The Traditional View: England Has No Law of Unfair Competition

In the nineteenth century case of *Mogul Steamship Co Ltd v. McGregor, Gow & Co* the defendants were ship owners sailing between China and England who formed an association whose object was to monopolise the tea trade and keep up freight rates. The association regulated the numbers of ships to be sent to ports, the division of cargoes and the rates of freight. A rebate of 5% was offered to shippers who only shipped with members. Agents of members were prohibited from acting on behalf of competing ship owners. On occasion, the members charged loss-making rates. The claimant was a rival shipowner who claimed damages for conspiracy. The claimant was unsuccessful at first instance, in the court of appeal and before a seven-judge House of Lords.¹

¹ (1892) AC 25.

This article is based on lectures delivered at the German Judicial Academy, Wustrau on 22 September 2010 and the University of Bayreuth on 6 June 2012.

R. Arnold (✉)

Judge of the High Court of England and Wales
Chancery Division, Room 25, Rolls Building, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NL, UK

In the court of appeal Fry LJ famously said:² “To draw a line between fair and unfair competition, between what is reasonable and unreasonable, passes the power of the Courts.” As Fry LJ went on to acknowledge, English law recognises the existence of what are now called the “economic torts” (procuring breach of contract, intimidation, unlawful interference with business, unlawful means conspiracy and conspiracy to injure)—but these are all torts involving intentional damage to economic interests. Acting in one’s own interest is not enough for this. ((Nowadays, of course, the claimants would have a remedy for infringement of competition (i.e. anti-trust) law)).

One hundred years later, nothing had changed. Delivering the second Herschel Smith lecture in 1985, *The Law of Unfair Competition in the European Community: Its Development and Present Status*, the eminent German scholar Professor Friedrich-Karl Beier of the Max Planck Institute for foreign and international patent, copyright and competition law said:³ “the law of unfair competition (in the United Kingdom) must, to a great extent, be considered ‘terra incognita’”. His assessment was confirmed three years later when Harman J said in *Swedac Ltd v. Magnet & Southern plc*:⁴

... this alleged tort really amounts to saying that there has been competition, and adding the old nursery cry “It’s unfair!”. To that I would only cite my nanny’s great nursery proposition: “the world is a very unfair place and the sooner you get to know it the better”. In my view, unfair competition is not a description of a wrong known to the law.

The state of the law in the 1990s may be illustrated by two cases. In *Hodgkinson & Corby Ltd v. Wards Mobility Services Ltd* Jacob J rejected a claim for passing off in a case of slavish copying by the defendant of the plaintiff’s wheelchair cushion where there was no customer confusion as to trade origin, saying:⁵

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.

In *Schulke & Mayr UK Ltd v. Alkapharm UK Ltd*⁶ the same judge held that promotion of a trader’s own goods by making false statements about the properties of those goods did not amount to malicious falsehood or passing off even if another trader suffered damage as a result.

2 But What About Article 10^{bis} of the Paris Convention?

Article 10^{bis} of the Paris Convention for the protection of industrial property of 20 March 1883 (as last revised at Stockholm in 1967) provides as follows:

² (1889) LR 23, QBD 598, 625–626.

³ (1985) 16 IIC 139, 161.

⁴ (1989) FSR 243, 249.

⁵ (1995) FSR 169, 174–175.

⁶ (1999) FSR 161.

- (1) The countries of the Union are bound to assure to nationals of such countries effective protection against unfair competition.
- (2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.
- (3) The following in particular shall be prohibited:
 - (i) 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;
 - (ii) 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;
 - (iii) indications or allegations the use of which in the course of trade is 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.

Article 10^{ter} requires countries of the Union to assure to nationals of other countries “appropriate legal remedies to repress” such acts.

The United Kingdom has been party to the Paris Convention since 7 July 1884. It has ratified the Hague revision of 1925, which introduced the precursor of the current version of Art. 10^{bis}, and all subsequent revisions. Despite that, it has never transposed Art. 10^{bis} into domestic legislation. The United Kingdom’s position has always been that it complies with the requirements of Art. 10^{bis} by virtue of a miscellany of legal mechanisms, including consumer protection legislation, the common law torts of passing off and malicious falsehood and the equitable claim for breach of confidence. This stance has not been changed by Art. 2(1) of the agreement on trade-related aspects of intellectual property rights (TRIPs),⁷ which requires members to comply with (*inter alia*) Art. 10^{bis} of the Paris Convention in respect of Parts II–IV of TRIPs.

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 Art. 10^{bis} of the Paris Convention. In *L’Oréal SA v. Bellure NV*,⁸ however, the court of appeal rejected an argument that the United Kingdom was in breach of Art. 10^{bis} as a result of the lack of any general tort of unfair competition.

3 And What About Article 6 of the Rome II Regulation?

Article 6 of European Parliament and Council Regulation 864/2007/EC of 31 July 2007 on the law applicable to non-contractual regulations (Rome II Regulation) provides as follows:

⁷ Annex 1C to the Agreement Establishing the World Trade Organisation of 15 April 1994.

⁸ (2007) EWCA Civ, 968; (2008) RPC 9, 135–161 (Jacob LJ).

Unfair competition and acts restricting free competition

1. The law applicable to a non-contractual obligation arising out of an act of unfair competition shall be the law of the country where competitive relations or the collective interests of consumers are, or are likely to be, affected.
2. Where an act of unfair competition affects exclusively the interests of a specific competitor, Article 4 shall apply.
3. [non-contractual obligations arising out of a restriction of competition]
4. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.

The Rome II Regulation is purely adjectival law, with no effect on the substantive laws of the Member States. As such, it provides little support for an argument that English law should recognise a doctrine of unfair competition as such. As Professor Wadlow has pointed out, however, it does require English lawyers to think about how English law fits into the European framework.⁹

The Rome II Regulation contains no definition of “unfair competition”. In the Explanatory Memorandum which accompanied its Proposal for the Regulation, The Commission of the European Communities said:¹⁰

The purpose of the rules against unfair competition is to protect fair competition by obliging all participants to play the game by the same rules. *Among other things they outlaw acts calculated to influence demand (misleading advertising, forced sales, etc.), acts that impede competing supplies (disruption of deliveries by competitors, enticing away a competitor's staff, boycotts), and acts that exploit a competitor's value (passing off and the like).* ... Paragraph 2 deals with situations where an act of unfair competition targets a specific competitor, as in the case of enticing away a competitor's staff, corruption, industrial espionage, disclosure of business secrets or inducing breach of contract [emphasis added].

To English eyes, the first category of acts (influencing demand) appears to be the province of consumer protection law and malicious falsehood. The second category (impeding competitors) appears to be the province of the economic torts. The third category (exploiting competitors' value) appears to be the province of passing off, trade mark infringement and breach of confidence.

Discussion of the economic torts is outside the scope of this article. To what extent does English law cover acts of unfair competition in the first and third categories? To answer this question, we need to consider the various fields of law identified above. I shall first consider two areas of law which are both statute-based and substantially harmonised at the European Union level, namely consumer protection law and trade mark law. I shall then turn to three areas which are judge-made and unharmonised, namely passing off, malicious falsehood and breach of confidence.

⁹ Wadlow (2012), 1.

¹⁰ COM (2003) 427 final (22 July 2003), 15–16.

4 Consumer Protection Law

Consumer protection law in the UK is now substantially Europeanised. Much earlier domestic consumer protection legislation has been replaced by regulations which implement two Directives: 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 (“the Unfair Commercial Practices Directive” or “UCPD”); and Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising (codified version) (“the Misleading and Comparative Advertising Directive” or “MCAD”). These Directives harmonise the substantive law in their respective fields, but not the adjectival law.

Article 5 of the UCPD prohibits unfair commercial practices. Article 5(2) provides that a commercial practice shall be unfair if:

- (a) it is contrary to the requirements of professional diligence, and
- (b) it materially distorts or is likely to materially distort the economic behaviour with regard to the product of the average consumer whom it reaches or to whom it is addressed, or of the average member of the group when a commercial practice is directed to a particular group of consumers.

Article 5(4) provides that, in particular, commercial practices shall be unfair which are misleading as set out in Arts. 6 (misleading actions) and 7 (misleading omissions) or are aggressive as set out in Arts. 8 (aggressive commercial practices) and 9 (use of harassment, coercion and undue influence). Article 5(5) provides that the commercial practices listed in Annex I shall in all circumstances be regarded as unfair. This black list contains 23 misleading commercial practices and a further eight aggressive commercial practices. These include such activities as:

- 2. Displaying a trust mark, quality mark or equivalent without having obtained the necessary authorisation.
- 3. Claiming that a code of conduct has an endorsement from a public or other body which it does not have. ...
- 13. Promoting a product similar to a product made by a particular manufacturer in such a manner as deliberately to mislead the consumer into believing that the product is made by that same manufacturer when it is not.

The UCPD permits administrative enforcement and does not require Member States to confer a private right of action. Thus Art. 11(1) of the UCPD provides:

Member States shall ensure that adequate and effective means exist to combat unfair commercial practices in order to enforce compliance with the provisions of this Directive in the interest of consumers. Such means shall include legal provisions under which persons or organisations regarded under national law as having a legitimate interest in combating unfair commercial practices, including competitors, may:

- (a) take legal action against such unfair commercial practices; and/or
- (b) bring such unfair commercial practices before an administrative authority competent either to decide on complaints or to initiate appropriate legal proceedings.

It shall be for each Member State to decide which of these facilities shall be available and whether to enable the courts or administrative authorities to require prior recourse to other established means of dealing with complaints

...

The UCPD has been implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008¹¹ made under Sec. 2(2) of the European Communities Act 1972. The scheme of the Regulations is as follows. Part 1 is general, and in particular contains relevant definitions. Part 2 sets out a series of prohibitions on unfair commercial practices, which are drawn from the Directive. Thus Regulation 3 (prohibition of unfair commercial practices) is based on Art. 5; Regulation 4 (prohibition of the promotion of unfair commercial practices) is based on Art. 11(1) second (b); Regulation 5 (misleading actions) is based in Art. 6; Regulation 6 (misleading omissions) is based on Art. 7; Regulation 7 (aggressive commercial practices) is based on Art. 8; and Schedule 1 reproduces Annex I. Part 3 then creates a series of criminal offences in respect of breaches of the prohibitions in Part 2. Finally, Part 4 deals with enforcement.

The principal regulation on enforcement in Part 4 is Regulation 19, which provides that it is the duty of every enforcement authority to enforce the Regulations. In addition, Regulation 26 adds the UCPD to the list of Directives contained in Schedule 13 to the Enterprise Act 2002. This enables enforcement of contraventions of the Regulations by enforcement authorities under Part 8 of the Enterprise Act 2002. In particular, it enables enforcement authorities to apply to the High Court or a county court for enforcement orders under Sec. 217 of the 2002 Act and interim enforcement orders under Sec. 218 of the 2002 Act, which are akin to injunctions and interim injunctions.

Article 3 of the MCAD provides that, in determining whether advertising is misleading, account shall be taken of all of its features. Article 4 of the MCAD provides that comparative advertising, which is very broadly defined in Art. 2(c),¹² is permitted (i.e. only permitted) when eight conditions are met, including the following:

- (d) it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor; ...
- (f) it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;

¹¹ SI 2008/1277.

¹² "Any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor".

- (g) it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name;
- (h) it does not create confusion among traders, between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor.

Again, the MCAD permits administrative enforcement and does not require Member States to confer a private right of action. Thus Art. 5(1), which requires Member States to ensure that adequate and effective means exist to combat misleading advertising and enforce compliance with the conditions for comparative advertising, and Art. 5(2) MCAD are in similar terms to Art. 11(1) UCPD.

The MCAD has been implemented in the UK by the Business Protection from Misleading Marketing Regulations 2008,¹³ again made under Sec. 2(2) of the European Communities Act 1972. The scheme of these Regulations is as follows. Part 1 contains relevant definitions, prohibits misleading advertising and provides that comparative advertising is only permitted when the relevant conditions are met, in terms drawn from the Directive. Part 2 creates criminal offences in respect of breaches of the provisions in Part 1. Part 3 deals with enforcement and Part 4 deals with investigatory powers.

So far as enforcement is concerned, Regulation 13 mirrors Regulation 19 of the Consumer Protection from Unfair Trading Regulations. In addition, Regulation 15 empowers enforcement authorities to apply for injunctions and interim injunctions and Regulation 18 empowers the court to grant injunctions to and interim injunctions to secure compliance with the provisions of Part 1.

There are certain obvious disadvantages to enforcement by public authorities. First, enforcement action is constrained by the resources and priorities of the enforcement authorities. Secondly, enforcement action tends to be rather slow and bureaucratic. Thirdly, although compensation orders are sometimes made, they are not a satisfactory substitute for damages for traders who are adversely affected by unfair commercial practices. Nevertheless, it seems unlikely that traders who have suffered damage as a result of contraventions of the Regulations could successfully bring claims for injunctions and damages in the civil courts on the ground of breach of statutory duty. The statutory duties under the Regulations are not imposed for the protection of a limited class of the public, but on the contrary for the protection of the public in general. It is true that the MCAD expressly protects traders¹⁴ and that the UCPD explicitly recognises that it indirectly protects traders;¹⁵ but even so, the protection is conferred for the benefit of society in general. Furthermore, it is not the case that the Regulations provide no other remedy. On the contrary, they provide for

¹³ SI 2008/1276.

¹⁴ Article 1 states: "the purpose of this Directive is to protect traders against misleading advertising and the unfair consequences thereof and to lay down the conditions under which comparative advertising is to be permitted".

¹⁵ Recital (8) states: "this Directive directly protects consumer economic interests from unfair business-to-consumer commercial practices. Thereby, it also indirectly protects legitimate businesses from their competitors who do not play by the rules in this Directive and thus guarantees fair competition in fields coordinated by it".

a sophisticated scheme of both criminal remedies and civil actions by public authorities. It is therefore very difficult to infer an intention that there should be a private remedy:¹⁶ see *X (Minors) v. Bedfordshire County Council*¹⁷ and *Morrison Sports Ltd v. Scottish Power UK plc*.¹⁸ Nor does it seem likely that traders could successfully bring claims on the ground of interference with business by unlawful means, since this does not include acts against third parties which are not unlawful in the sense of being actionable by those parties: see *OBG Ltd v. Allan*.¹⁹

The desire of traders for a private right of action is illustrated by *Tiscali UK Ltd v. British Telecommunications plc*.²⁰ The parties were rival providers of broadband services. In January 2008 the CEO of Tiscali's parent company had publicly acknowledged that it was likely to be the target of a take-over within the next two years. In July 2008 BT sent a letter to a large number of Tiscali's customers which said:

Tiscali chief plots sell-off.

You can be confident with BT Total Broadband.

Dear (Tiscali customer)

We can understand why you're wondering what might happen to your Tiscali broadband service. And because no-one really knows the answer yet, it could be a good time to look at an alternative broadband service. ...

Changing your provider to BT could be the right move if you're worried about the future of your broadband service. Because BT Total Broadband is the UK's most complete and is here to stay ...

Tiscali contended that the letter was likely to mislead recipients into believing that Tiscali's broadband service was, or might be, about to be put in jeopardy by the prospect of a takeover. Tiscali's position was that there were no grounds for suggesting that the talk earlier in the year of a possible takeover in the medium term meant its broadband service would no longer be available to customers. Tiscali accepted that the letter did not actually say so, but contended that it sowed the seeds of doubt with a view to persuading Tiscali's customers to change to BT's service as being more secure. Tiscali was given permission to amend its claim to allege interference with business by unlawful means where the unlawful means relied on consisted of breaches of both the Consumer Protection from Unfair Trading Regulations and the Business Protection from Misleading Marketing Regulations.

¹⁶ Indeed, when the Government consulted on implementation of the UCPD, there was lobbying in favour of a private right of action on the part of rival traders who suffered damage as a result of contraventions of the Regulations. Despite the lobbying, the government decided against conferring a private of action: see *Government Response to the Consultation Paper on Implementing the Unfair Commercial Practices Directive* (11 December 2006), 6.

¹⁷ (1995) 2 AC 633, 731–732 (Lord Browne-Wilkinson).

¹⁸ (2010) UKSC 37; (2010) 1 WLR 1934, 30–33 (Lord Rodger of Earlsferry).

¹⁹ (2007) UKHL 21, (2008) 1 AC 1, 55 (Lord Hoffmann).

²⁰ (2008) EWHC 3129 (QB).

The claim was subsequently settled. It seems unlikely that Tiscali would have succeeded at trial, however.

Rival traders who are unable to bring a private action for contravention of the Regulations are not necessarily left without a remedy, however. In many cases, they may be able to bring a claim for one of the torts discussed below.

5 Trade Mark Infringement

The decision of the Court of Justice of the European Union in Case C-533/06 *O2 Holdings Ltd v. Hutchinson 3G UK Ltd*²¹ establishes that traders who own a relevant registered trade mark can use the vehicle of a claim for trade mark infringement in order to seek relief in respect of comparative advertising which does not comply with the MCAD. The CJEU held in that case that: (i) the use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the trade mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use in relation to the advertiser's own goods and services for the purposes of Art. 5(1) and (2) of European Parliament and Council Directive 2008/95/EC of 22 October 2008 to approximate the laws of the Member States relating to trade marks (codified version) ("the Trade Marks Directive"); and (ii) in order to reconcile the protection of registered trade marks and the use of comparative advertising, Art. 5(1) and (2) of the Trade Marks Directive and Art. 4 of the MCAD must be interpreted to the effect that the proprietor of a registered trade mark is not entitled to prevent the use, by a third party, of a sign identical with, or similar to, his mark, in a comparative advertisement which satisfies all the conditions, laid down in Art. 4 of the MCAD. It follows that, if the use of the sign is within Art. 5(1) or (2) of the Trade Marks Directive, but it does not comply with any of the conditions laid down in Art. 4 of the MCAD, then it is an infringement of the trade mark.

This point is illustrated by three subsequent English cases. First, in *L'Oréal SA v. Bellure NV*²² the defendants marketed "smell-alike" equivalents of the claimants' perfumes. They issued comparison lists which indicated, against the brand name of each of the claimants' perfumes, the brand name of the corresponding smell-alike product. The court of appeal held, applying the ruling of the Court of Justice in Case C-487/07,²³ that the defendants' use of the claimants' trade marks in the comparison lists was (i) within Art. 5(1)(a) of the Trade Marks Directive (identical sign/identical goods) and (ii) not protected by Art. 4 of the MCAD because it did not comply with condition (g). The court of appeal also held that the use was (i) within Art. 5(2) because it took unfair advantage of the reputation of the claimants' trade marks and therefore (ii)

²¹ (2008) ECR I-4231.

²² (2010) EWCA Civ, 535; (2010) RPC 23.

²³ (2009) ECR I-5185.

not protected by Art. 4 of the MCAD because it did not comply with condition (f).

Secondly, in *Specsavers International Healthcare Ltd v. Asda Stores Ltd*,²⁴ Specsavers operated a chain of high-street opticians and owned Community trade mark registrations for the trade mark SPECSAVERS. Asda was a large supermarket chain which ran advertisements with the straplines “Be a real spec saver at Asda” and “Spec savings at Asda”. The court of appeal upheld a finding that the first strapline constituted, and reversed a finding that the second strapline did not constitute, an infringement under Art. 9(1)(c) of Council Regulation 207/2009/EC of 26 February 2009 on the Community trade mark (codified version) (“the CTM Regulation”) (equivalent to Art. 5(2) of the Trade Marks Directive) since it took unfair advantage of the reputation of Specsavers’ trade mark. As Kitchin LJ noted:²⁵

Asda has made no attempt to establish that its campaign meets the conditions of the Comparative Advertising Directive. ... Asda adopted the strategy of using a strapline which was intended to bring Specsavers to mind and to convey superiority in terms of value, and superiority or parity in the areas of range and professionalism, and it has done so in a manner which does not involve an objective comparison of verifiable and representative features of the parties’ goods or services.

Thirdly, in *Red Bull GmbH v. Sun Mark Ltd*²⁶ the claimant marketed the well-known RED BULL energy drink, which was protected by a Community trade mark. The defendant promoted a competing energy drink using the strapline “No bull in this can”. The High Court held that this took unfair advantage of the claimant’s trade mark and hence was an infringement under Art. 9(1)(c) of the CTM Regulation. Again there was no attempt by the defendant to rely upon Art. 4 of the MCAD.²⁷

It therefore seems probable that, if the notorious case of *British Airways plc v. Ryanair Ltd*,²⁸ in which the defendant budget airline ran an advertisement headed “EXPENSIVE BA ... DS!”, were to be litigated today, the result would be different. It would almost certainly be held that the use of the sign BA, which was identical to British Airways’ registered trade mark BA, was (i) within Art. 5(1)(a) of the Trade Marks Directive and (ii) not protected by Art. 4 of the MCAD since the advertisement did not comply with condition (d). It would be also be easier for British Airways to complain about other aspects of the advertisement, for example the fact that it quoted comparative fares to Frankfurt without mentioning that Ryanair flew to Hahn rather than Frankfurt International, on the basis that the advertisement did not comply with condition (c).²⁹

²⁴ (2012) EWCA Civ 24; (2012) FSR 19.

²⁵ *Ibid.*, 151.

²⁶ (2012) EHCW 1929 (Ch).

²⁷ *Ibid.*, 109.

²⁸ (2001) FSR 32.

²⁹ “[I]t objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price”.

6 Passing Off

The principles applicable to a classical claim for passing off were summarised by Lord Oliver of Aylmerton in *Reckitt & Colman Products Ltd v. Borden Inc* as follows:³⁰

The law of passing off can be summarised in one short general proposition—no man may pass off his goods as those of another. More specifically, it may be expressed in terms of the elements which the plaintiff in such an action has to prove in order to succeed. ... First, he must establish a goodwill or reputation attached to the goods or services which he supplies in the mind of the purchasing public by association with the identifying “get-up” (... a brand name or a trade description, or the individual features of labelling or packaging) under which his particular goods or services are offered to the public, such that the get-up is recognised by the public as distinctive specifically of the plaintiff’s goods or services. Secondly, he must demonstrate a misrepresentation by the defendant to the public (whether or not intentional) leading or likely to lead the public to believe that goods or services offered by him are the goods or services of the plaintiff. ... Thirdly, he must demonstrate that he suffers or, in a *quia timet* action, that he is likely to suffer damage by reason of the erroneous belief engendered by the defendant’s misrepresentation that the source of the defendant’s goods or services is the same as the source of those offered by the plaintiff.

A considerable number of variations of this classical form of passing off have been recognised by the courts over the years. These include:

- selling the claimant’s second-hand goods as new;³¹
- selling the defendant’s goods in the claimant’s containers;³²
- selling parallel imports of claimant’s goods where the goods are of a lower quality intended for a foreign market;³³
- falsely representing that the defendant is part of the same group of companies as the claimant;³⁴
- falsely representing that the claimant has endorsed the defendant’s goods or services;³⁵ and
- falsely claiming that the defendant supplied goods or services which were in fact supplied by the claimant (“inverse” or “reverse” passing off).³⁶

One of these variants enables suppliers of products of a particular description to restrain rival traders from using that description, or a confusingly similar term, in

³⁰ (1990) 1 WLR 491, 499.

³¹ *A.G. Spalding & Bros v. A.W. Gamage Ltd* (1915), 32 RPC 273.

³² *Sodastream Ltd v. Thorn Cascade Co Ltd* (1982), RPC 459.

³³ *Colgate Palmolive Ltd v. Markwell Finance Ltd* (1989), RPC 497.

³⁴ *Dawnay Day & Co Ltd v. Cantor Fitzgerald International* (2000), RPC 669.

³⁵ *Irvine v. Talksport Ltd* (2003), EWCA Civ 423; (2003) EMLR 26.

³⁶ *Bristol Conservatories Ltd v. Conservatories Custom Built Ltd* (1989), RPC 455.

relation to goods which do not correspond to that description (“extended” passing off). Thus the use of the following terms has been held to be passing off:

- “Spanish champagne”;³⁷
- “champagne cider”;³⁸
- “elderflower champagne”;³⁹
- “sherry” in relation to wine from Cyprus etc.;⁴⁰
- “old English advocaat” in relation to egg flip;⁴¹
- “white whiskey” in relation to a re-distilled product;⁴² and
- “Swiss Chalet” in relation to chocolate not from Switzerland.⁴³

The breadth of the tort of extended passing off has recently been emphasised by the case of *Diageo North America Inc v. Intercontinental Brands (ICB) Ltd.*⁴⁴ Diageo marketed vodka under the trade mark SMIRNOFF, which was the leading brand of vodka in the United Kingdom. Under European Parliament and Council Regulation 110/2008/EC of 15 January 2008 on the definition, description, presentation, labelling and the protection of geographical indications of spirit drinks, vodka must have a minimum alcoholic strength of at least 37.5 % ABV. ICB marketed a clear, tasteless drink containing a mixture of vodka and neutral fermented alcohol, which had an overall ABV of 22 %. Save for a short period, less than half the alcohol content came from vodka. ICB marketed this drink under the trade mark VODKAT and in get-up which was reminiscent of vodka. Because the drink fell within customs code CN2206, it attracted much less duty than vodka.

Diageo sued for extended passing off, putting their case in three alternative ways. The first was that the name VODKAT in and of itself amounted to a misrepresentation that the product was vodka. Secondly, they said that the name VODKAT amounts to a misrepresentation in the absence of a clear description of the product. Thirdly, they said that the name VODKAT amounted to a misrepresentation in the absence of a clear description of the product and when used in conjunction with a get-up reminiscent of vodka. At first instance the court disagreed with Diageo’s first contention but accepted the second and third. Accordingly, an injunction was granted restraining ICB from marketing any product which was not vodka under the name VODKAT without clearly distinguishing the product from vodka.⁴⁵ This decision was upheld by the court of appeal.

Both at first instance and on appeal, ICB argued that claims for extended passing off were limited to products which had a cachet, that is to say, a reputation for superior quality (whether or not that reputation was objectively justified). Vodka,

³⁷ *Bollinger v. Costa Brava Wine Co Ltd* (1960) Ch 262; (1961) 1 WLR 277.

³⁸ *H.P. Bulmer Ltd v. J. Bollinger SA* (1978), RPC 79.

³⁹ *Taittinger SA v. Allbev Ltd* (1993), FSR 641.

⁴⁰ *Vine Products Ltd v. Mackenzie & Co Ltd* (1969), RPC 1.

⁴¹ *Erven Warnink BV v. J. Townend & Sons Ltd* (1979), AC 731.

⁴² *Scotch Whisky Association v. Glen Kella Distillers Ltd* (1997), ETMR 470.

⁴³ *Chocosuisse Union des Fabricants Suisses de Chocolat v. Cadbury Ltd* (1999), RPC 826.

⁴⁴ (2010) EWCA Civ 920; (2011) RPC 2.

⁴⁵ (2010) EWHC 17 (Ch); (2010) RPC 12.

ICB contended, was not such a product. This argument was rejected. Both courts cited the following passage in Wadlow (2003/2011), *The Law of Passing-Off: Unfair Competition by Misrepresentation* as correctly stating the law:⁴⁶

The cases on passing-off by the misuse of geographic terms are illustrations of a wider principle that it may be passing-off to misuse any sufficiently significant descriptive or generic term in relation to goods, services or a business for which it is inappropriate. For the misrepresentation to be a material one the descriptive or generic term must have a reasonably definite meaning and some attraction for the customer, or no one would ever rely on it and any misrepresentation would be immaterial. In other words, it must have some drawing power in its own right. The misrepresentation is actionable by a person damaged in the goodwill he has in relation to goods or services to which the term is properly applicable.

7 Malicious Falsehood

The ingredients of the tort of malicious falsehood were summarised by Glidewell LJ in *Kaye v. Robertson* as follows:⁴⁷

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.

“Maliciously” in this context means knowing that the words were false or being reckless as to whether they were false or not. One form of malicious falsehood, sometimes called trade libel or slander of goods, is where a trader makes a false statement about a competitor’s business or goods. The problem for the prospective claimant, of course, lies in the requirement to prove malice.

The recent decision of the court of appeal in *Ajinomoto Sweeteners Europe SAS v. Asda Stores Ltd*⁴⁸ represents an important development of the tort of malicious falsehood as a tool for combating unfair competition. Ajinomoto was a leading supplier of aspartame, a sugar substitute. Asda sold its own brand of health foods. Some of these were marketed in packaging bearing the statements “no hidden nasties” and “no artificial colours or flavours and no aspartame”. Ajinomoto brought proceedings for malicious falsehood, contending that these statements would be understood by consumers as having one of three meanings: (A) aspartame is harmful or unhealthy, (B) there is a risk that aspartame is harmful or unhealthy, or (C) aspartame is to be avoided. Asda contended that they meant (D) these foods are for customers who find aspartame objectionable.

On the trial of a preliminary issue as to the meaning of the statements, the judge held that the so-called “single-meaning” rule applied to claims for malicious falsehood. This is a rule, which is well established in the law of defamation, that a

⁴⁶ 3rd edn. at Secs. 7–131. Now see the 4th edn. at Secs. 7–178.

⁴⁷ (1991) FSR 62, 67.

⁴⁸ (2010) EWCA Civ 609; (2010) FSR 30.

publication is deemed to have a single meaning. On that basis, the judge held that the correct meaning was meaning (D). Accordingly, he dismissed the claim. He also found, however, that a substantial number of consumers would understand the statements to have meaning (B).

Ajinomoto appealed, arguing that the judge had been wrong to apply the single-meaning rule and that it was sufficient for a claim in malicious falsehood that a substantial number of people would understand the words complained of in the manner contended for by the claimant. The court of appeal accepted that argument and allowed the appeal.

The significance of the court of appeal's decision is that it makes it easier to obtain an injunction to restrain future repetition of the statements complained of. Once the court has found that a substantial number of people are misled by the statements complained of, the defendant cannot honestly repeat those statements. Accordingly, it would appear that a threat on the part of the defendant to repeat those statements could then be restrained by injunction.

8 Breach of Confidence

The elements necessary to find an action for breach of confidence were identified by Megarry J in *Coco v. A.N. Clark (Engineers) Ltd* as follows:⁴⁹

First, the information itself ... must "have the necessary quality of confidence about it". Secondly, that information must have been communicated in circumstances importing an obligation of confidence. Thirdly, there must have been an unauthorised use of the information to the detriment of the party communicating it.

In essence, information has "the necessary quality of confidence" if it is not in the public domain.⁵⁰ A wide variety of different kinds of information have qualified as being confidential, from secret formulas and processes to financial information. An obligation of confidence may, of course, be imposed by contract. In the absence of any contractual obligation, an obligation of confidence may arise in equity. An equitable obligation of confidence will arise as a result of the acquisition or receipt of confidential information if, but only if, the acquirer or recipient either knows or has notice (objectively assessed by reference to a reasonable person standing in his shoes) that the information is confidential.⁵¹ This includes industrial espionage.

In *Innovia Films Ltd v. Frito-Lay North America Inc*⁵² it was common ground between the parties that claims for breach of an equitable obligation of confidence

⁴⁹ (1969) RPC 41, 47. This statement of the law has repeatedly been cited with approval at the highest level. See *Attorney General v. Guardian Newspapers Ltd (No 2)* (1990) 1 AC 109, 268 (Lord Griffiths); *Campbell v. MGN Ltd* (2004) UKHL 22, (2004) AC 457 at [13] (Lord Nicholls of Birkenhead); and *Douglas v. Hello! Ltd (No 3)* (2007) UKHL 21; (2008) 1 AC 1, 111 (Lord Hoffmann).

⁵⁰ See *Saltman Engineering Co Ltd v. Campbell Engineering Co Ltd* (1948) 65 RPC 203, 215 (Lord Greene MR).

⁵¹ See *Force India Formula One Team Ltd v. 1 Malaysia Racing Team Sdn Bhd* (2012) EWHC 616 (Ch), 224 and the cases cited there.

⁵² (2012) EWHC 790 (Pat); (2012) RPC 24.

concerning technical information fell within Art. 6 of the Rome II Directive. Since the acts of unfair competition alleged affected the interests of a specific competitor, Art. 6(2) was the applicable rule, and hence Art. 4. On the facts of the case, the Patents Court concluded that Art. 4(3) pointed to English law being the applicable law.⁵³

9 Conclusions

It is still the case that English law does not recognise any general tort of unfair competition. It does not follow, however, that there is no English law of unfair competition. The protection afforded to traders against many forms of unfair competition by the Regulations which implement the UCPD and the MCAD is in principle the same as elsewhere in the European Union, even if it is less effective than it could be due to the absence of a private right of action. The protection afforded by registered trade marks against some forms of unfair competition is equal to that available in other Member States. Turning to the areas of law which remain distinctively English, the common law torts of malicious falsehood and passing off continue to evolve and now offer broad protection against forms of unfair competition involving misrepresentation, while the equitable doctrine of breach of confidence provides a remedy for misuse of technical and commercial confidential information. As a result, it is now easier than ever before to say that the UK does comply with Art. 10^{bis} of the Paris Convention and that it provides legal remedies for acts of the kind outlined in the Explanatory Memorandum for the Rome II Regulation. I suggest that it is time to recognise this body of law for what it is, namely a body of law whose common underlying rationale is to protect traders (as well as, in many cases, consumers) against unfair competition. Contrary to the view expressed by Fry LJ 125 years ago, English courts not only have the power to draw a line between fair and unfair competition, but also exercise that power regularly.

Recognition of the fact that there is an English law of unfair competition does not, as some fear, dictate the point at which the line should be drawn. By way of illustration, one key area where English law continues to divide from that of some other EU Member States is in relation to its treatment of slavish (or parasitic) copying. English law adheres to the view that, in the absence of any applicable intellectual property right and in the absence of consumer confusion, there is no reason to regard slavish copying of a competitor's product as unfair or unlawful. On the contrary, it is beneficial to the consumer. There is little prospect that the common law will change in this respect.⁵⁴ Thus while *Schulke & Mayr v. Alkapharm* might be decided differently today, *Hodgkinson & Corby v. Wards* almost certainly would not be.

⁵³ *Ibid.*, 111.

⁵⁴ Although it is possible that there may be legislation at either EU level following the Hogan Lovells Report on Parasitic Copying for the European Commission MARKT/2010/20/D (23 September 2011) or at domestic level following a study which has been commissioned by the UK Intellectual Property Office from the Intellectual Property Institute.

References

- Wadlow (2003/2011) *The law of passing-off: unfair competition by misrepresentation*. 3rd/4th. edn. Sweet & Maxwell, London.
- Wadlow (2012) The emergent European law of unfair competition and its consumer law origins. *Intellectual Property Quarterly* 1–24.