



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

Response from the British Brands Group

19th May 2014



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Response

BIS review of enforcement provisions of the CPRs

OVERVIEW

The British Brands Group believes the evidence to be unequivocal that there has been no meaningful enforcement of the Consumer Protection Regulations against misleadingly similar packaging. This has led to a tolerance of such copying, creating a climate for mistaken purchases and mis-assumptions over content and quality by consumers, damaging the UK's reputation for IP and brand leadership.

Without resolution the UK is likely to be in breach of its obligations under the Unfair Commercial Practices Directive, Misleading & Comparative Advertising Directive, Paris Convention and TRIPS.

The provision of private enforcement rights would allow consumers to make more informed, accurate and efficient purchasing decisions while allowing brand producers to earn a fair return from their brand investments, creating overall a more competitive and innovative environment while sustaining choice and product availability.

As with any enforcement regime, it is the understanding of consequence which will drive a change in behaviour leading to negotiation and agreement around potential infringement rather than an increase in litigation. With a clear benefit for consumers, brand producers and competition alike, the British Brands Group urges the adoption of civil injunctive powers to brand producers and for government to work with all parties to monitor the effects to ensure a positive regime in the future.

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

(1) THE ENFORCEMENT GAP IN RELATION TO THE CPRS

The problems associated with enforcement of the CPRs relate to the limited number of organisations with the power to enforce and their over-stretched resources.

- In practice, only Trading Standards Services (TSS) and the Competition & Markets Authority (CMA) are authorised to enforce against misleadingly similar packaging. The practice is outside the scope of sector regulators;
- The CPRs provisions in relation to misleadingly similar packaging imposed a new duty on TSS and the OFT but no additional resources were provided. Indeed resources have declined significantly in recent years. While BERR during its consultations stated that the OFT and TSS had a duty to enforce, both organisations have told us consistently that they do not consider the problem a sufficient priority and they lack the resources to enforce.

The enforcement gap was highlighted in [a report](#) for the European Commission:

In the UK, parasitic copies are not seen as a priority of these agencies, see page 41 of "[A New Approach to Refreshing the National Enforcement Priorities for Local Authority Regulatory Services](#)",

Local Better Regulatory Authority, February 2011, where comments on IP enforcement are limited to dealing with IP crime, and in particular counterfeits and piracy.

We are aware of only one instance of enforcement by Trading Standards concerning yoghurt. This was reported in the IPI study [The impact of lookalikes](#), commissioned by the IPO (page 73).

- TSS have declined to enforce in specific instances as they have not received any consumer complaints. Complaints however are a poor indicator of whether the CPRs have been breached and an inappropriate test:

In cases where products are bought in error, consumers may not complain because they either blame themselves for not taking more care or consider it not worth the fuss for an item of relatively low cost. There may well not be appreciation that they have been duped by a deliberate, deceptive, marketing ploy;

If they believe erroneously, due to the similar packaging, that the products come from the same factory, they may never know they have been duped and will therefore not even consider complaining. If the product in the box is considered to be the branded product and disappoints, the reputation of that brand will suffer damage;

If they do complain, it will be most likely to the retailer rather than the original brand producer who will remain unaware of the complaint.

Determining whether a pack design is likely to mislead consumers is an easier assessment for someone familiar with the specific product category. There are no ready proxies such as consumer complaints to indicate a breach of the CPRs. Instances need to be investigated and evidence gathered, something that is likely to deter public enforcers.

The nature of the confusion that arises, whereby consumers blame themselves, do not act and / or do not know they have been duped, underlines exactly why effective protection is required.

We have engaged the LBRO / BDRO to explore whether similar packaging would be raised with retailers, for example under the Home Authority Scheme. We detected no willingness to enforce in this way, whether via education, advice or guidance. Absence of enforcement in any form would extend the enforcement gap.

Summary: there is only one known instance of enforcement against misleadingly similar packaging since 2008. There is no evidence of any other enforcement, hard or soft, to inhibit the practice. Both the OFT and TSS have indicated that enforcement is unlikely, a situation the CMA is not expected to change. Restricting enforcement to public authorities that do not have the resources or inclination to enforce falls short of the UCPD's requirement that "adequate and effective means exist to combat unfair commercial practices" (Article 11).

(2) ENFORCEMENT GAP FILLED BY OTHER MEANS?

Absence of enforcement of the CPRs would be mitigated were there other effective means to address the problem. This however is not the case in the UK.

IP rights

- Registered trade marks can provide strong protection against use of similar product names but provide limited protection against misleadingly similar packaging if different product names are used and the copy just copies colours, shapes and imagery in an evocative way.

Packaging designs featuring colour and shape alone can be difficult to register. Where trade marks are registered, it is possible to design around them while still creating a similar overall impression to consumers. No registered trade mark infringement was found in the United Biscuits v Asda case (Penguin v Puffin biscuits), with 'Puffin' found to be sufficiently different from 'Penguin'.

Aldi's recent agreement to submit to an interim injunction against its Saucy Salmon Fillets product in a case brought against it by The Saucy Fish Co will have been easier to secure because of Aldi's use of the word "Saucy" – part of the registered product name – in combination with the copying of pack colour and product format.

Protection against unfair advantage is afforded to well-known registered marks but it is unlikely that packaging, if registrable, would be deemed to be well known in its own right (packaging designs evolve regularly and are not readily recalled in detail by consumers).

It is not sufficient to demonstrate that consumers are prompted by the similar packaging to make an association between the copy and the brand. There must be evidence of outright confusion or confusion over origin ([Sabel v Puma case](#), European Court of Justice 1997). In contrast the CPRs provide wider protection where consumers are misled over the quality or equivalence of the two products.

- Registered designs also offer limited protection. Designs must be new (which would rule out iterations and reinvigoration of existing packaging designs) and can also be designed around while still evoking the branded version;
- To infringe copyright, a pack design must copy a substantial part of the original. Designers are able to produce packaging designs to evoke the original but without infringing copyright;
- A passing off action is very difficult and expensive to bring in cases involving similar packaging. Often the pack clearly gives the producer's and /or a different product name, reducing the likelihood of confusion over origin (though not the implicit message of brand quality equivalence).

Meanwhile consumer confusion in a passing off sense is extremely difficult to prove to a court's satisfaction. The misleading nature of copycat packaging operates in a way that is often subliminal. Answering the question "are consumers likely to be confused as to origin" in a courtroom environment with a focus on comparison on two packs is very different from the consumer experience at point of sale. It is often impossible to obtain evidence in store and courts often dismiss survey evidence as artificial and / or unreliable. The CPRs adopt a broader test which should be easier to apply.

These factors help explain why the 2006 [Gowers Review](#), commissioned by the Treasury, stated, "the Review believes that passing off does not go far enough to protect many brands and designs from misappropriation ..." (page 100).

More recently, in the L'Oreal v Bellure case, the UK judiciary in a [Court of Appeal decision](#) (2007) made clear its resistance to any move of the tort of passing off towards unfair competition (para 161).

- Malicious falsehood is unlikely to succeed in a parasitic copying case. This tort requires there to be a false statement, made with malice and with intent to injure the claimant. Even if a claimant could succeed in showing that similar packaging was a false statement, it would always be open to the defendant to argue lack of intent to injure or malice. Proof of these mental states is not required for UCPD remedies against practices that mislead consumers. The courts have also been reluctant to extend the scope of malicious falsehood into, for example, comparative advertising cases.

Misleading and comparative advertising

Provisions against misleading and comparative advertising might be expected to provide a remedy where shoppers mistakenly take the similar packaging to indicate the products are directly comparable. Indeed such rules require comparisons to be objective and verifiable, a test that similar packaging may well breach as they are unlikely to be comparable in every aspect.

However there is a gap in the UK's implementation of the Misleading and Comparative Advertising Directive (MCAD) that is contrary, we contend, to the Directive's intention.

- Comparative advertising that misleads *traders* is governed by the Business Protection from Unfair Trading Regulations (BPRs). However parasitic packaging falls outside these regulations as it misleads consumers.
- Comparative advertising that misleads *consumers* falls under the Consumer Protection from Unfair Trading Regulations (CPRs) which, in the case of packaging, is enforceable only by the CMA and TSS, neither of whom show an inclination to enforce.

The MCAD requires Member States to provide protection to companies affected by misleading and comparative advertising that affects consumers. This requirement however is not currently being met in the UK.

Summary: the enforcement gap is not being filled by other means.

(3) GAP IN UK IMPLEMENTATION OF TREATIES AND DIRECTIVES

The gap in the UK in relation to the misleadingly similar packaging indicates that the UK is not meeting fully its international treaty obligations or the requirements of two Directives.

- Article 10^{bis} of the Paris Convention requires states to provide nationals with effective protection against acts of unfair competition. Article 10^{ter} requires that this protection also be afforded overseas nationals. TRIPs requires states to comply with the Paris Convention.

The UK does not provide nationals with effective protection against similar packaging that misleads consumers over the equivalence of products, slavishly imitates the packaging of the original product or free rides off the reputation of that product.

That the UK is not compliant is demonstrated by [Counsel's Opinion](#) (see also *Gowers: a glimmer of hope for UK compliance with Article 10bis of the Paris Convention*, European Intellectual Property Review, Morcom, C. (2007)) and the Gowers study finding that brands in the UK are not well protected from misappropriation. Furthermore the IPI study indicated that UK law does not cover misappropriation (see paragraph 11.2.1).

- Article 11(1) of the UCPD stipulates that:

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.

The lack of enforcement since 2008 against misleadingly similar packaging and the ongoing, constrained resources of public authorities indicate that this requirement has not been met and is unlikely to be met in the future under the current regime, putting the UK in breach of implementing the Directive correctly.

We do not believe it sufficient for BIS to argue that it is compliant as it provides for effective enforcement broadly. The Directive does not allow Member States to cherry pick the provisions of the Directive for which they will and will not provide enforcement.

- We suggest above that the UK has not implemented correctly the MCAD as it does not provide traders with protection against advertising that misleads consumers.

Granting private civil rights of action under the CPRs would help to address these matters. It is also the remedy proposed by the Gowers Review (see page 100) and the Competition Commission following its investigation of the groceries market in 2006 (see [Appendix 9.10](#), para 19).

Summary: the lack of effective enforcement places the UK in breach of Article 10^{bis} and 10^{ter} of the Paris Convention and TRIPS and of its obligations to implement fully the UCPD and MCAD. Granting private enforcement rights under the CPRs will help address these shortcomings. It is also the remedy proposed by both the Gowers Review and the Competition Commission.

(4) THE SCALE OF PROBLEMS ASSOCIATED WITH THE ENFORCEMENT REGIME

The current shortcomings result in many instances of potentially misleadingly similar packaging going unchallenged. There is one instance of enforcement of the CPRs (see above) and occasional cases where an IP-based or passing off action are deemed to have the potential to succeed. However, successful outcomes are more likely where there is some degree of copying of word marks such as the recent SAUCY FISH case.

To illustrate the scale of the problem, the Group published dossiers of examples in [2010](#) and [2012](#). More recently Which? published an article with examples (see May 2013 edition) and the Daily Mail published an article on Aldi's copycat strategy. We have no evidence of enforcement action against any of these examples, despite requests to the OFT and TSS to enforce (see [TSI briefing](#), 2008 – repeated in 2010).

The implications of a specific parasitic copy for consumers, brand producers and other competitors in the category are likely to vary on a case-by-case basis, influenced by such factors as brand strength, product scale, retailer scale, the extent of the copying, in-store display and marketing and whether or not the original product is present at point-of-sale.

Suffice it to say, similar packaging is a deliberate ploy to increase sales (and potentially prices) of products, reinforced by shelf-positioning strategies all of which the consumer may be unaware (see IPI study, page 86, and Which? article, May 2013).

Ineffective enforcement in the UK has created a climate favourable to the use by competitors of similar packaging that misleads consumers. This is evident both by the continued appearance of cases of very similar packaging in the UK demonstrated by the Group's dossiers and the Which? and Daily Mail articles of 2013.

In so far as similar packaging is seen by consumers as an indicator of common origin (see IPI study, page 79), their continued presence on the UK market can be expected to support and encourage a prevalent consumer belief that all private label products are made by brand manufacturers. In many cases such assumptions are incorrect, suggesting that lack of enforcement may be resulting in consumers being misled across a much broader range of products.

When considering the scale of the enforcement gap, it is appropriate to highlight the reluctance of Government to address this issue. In its public consultation, BERR undertook to review the enforcement regime after three years (by 2011), reduced to two years (by 2010) following parliamentary debate. It is only now, four years later than promised, that a review is being undertaken, a delay which can be expected to have sustained and potentially increased the scale of the problem.

Summary: the evidence suggests that almost all examples of potentially misleading similar packaging go unchallenged, leading to an environment in the UK where the practice is tolerated by authorities. The extent of damage to consumers, producers and competitors will vary case-by-case. The wider implication is that mistaken consumer assumptions over the origin of private label products are reinforced.

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

Before answering, we wish to question the relevance of this question to the review.

The UCPD requires that the average consumer's transactional behaviour is affected by something which is unfair or misleading. It does **not** say that this only matters if, in addition, there is some other detriment (of an unspecified kind) to the consumer.

Recital 14 states, "It is desirable that misleading commercial practices cover those practices, including misleading advertising, which by deceiving the consumer prevent him from making an informed and thus efficient choice".

Brand producers invest significantly in time and money to develop products of consistent quality that generate, over time, strong reputations with consumers. Similarly they invest significantly in distinctive packaging and advertise that packaging so that consumers may identify their products quickly and accurately on shelf amongst a range of competing offers.

Competing products are placed in misleadingly similar packaging not by accident or laziness but as a deliberate ploy to induce consumers to buy products they would not otherwise buy. The effect of similar packaging may be further reinforced by other deliberate marketing and merchandising factors relating to shelf display and position (see Which? article above, a Which? article in the May 2014 edition and IPI study, page 86).

We accept that consumer detriment may be a valid test for allocating the limited resources of public enforcement bodies. It is however no reason – and provides no excuse – for the UK not providing the adequate and effective enforcement regime in this area of misleading practice as the UCPD requires.

We make the further observation that any 'consumer detriment' threshold in relation to public enforcement of the CPRs is neither quantified nor transparent.

(1) THE EXTENT OF CONSUMER IMPACT FROM MISLEADINGLY SIMILAR PACKAGING

There are a number of ways in which consumers are damaged by such packaging:

- Mistaken purchase: The IPI study finds that 57.2% of consumers have bought the wrong product due to similar packaging at least once (page 88). The Which? article reports that 20% of its members have bought products by mistake. BMRB research for the British Brands Group found that 33% of consumers had bought products by mistake (rising to 54% amongst 16-24 year olds) (see [BMRB research](#), page 6).

Assuming there is one shopper per household (there is likely to be more), these findings suggest that between 8 million and 15 million UK consumers have bought products in error due to similar packaging at least once (Which? members have not been included as may not be representative of UK shoppers). Despite the wide difference, even the higher figure may be an under-estimate as respondents may be unwilling to admit they have made an error.

These findings align with earlier studies (see [A summary of consumer research 1993-2005](#), page 2).

- Confusion over origin: the IPI study found a significant correlation between similar packaging and perceptions of common origin in nine of the twelve product sets it researched (page 79). The BMRB research found the same correlation in nine of the ten product sets researched. The effect can be significant, with at least two thirds more considering it likely rather than unlikely that the product in the similar pack came from the same source as the original in relation to four of the sets of products (page 7).

These findings align with earlier studies (see [A summary of consumer research 1993-2005](#), page 3).

- Perceptions: The IPI study found a statistically significant lookalike effect across the twelve product sets tested, finding that increased perceived similarity of packaging is significantly correlated with higher perceived (ratings/expectations of) price, quality, suitability for intended use and (marginally) value for money (see page 83).

These findings align with earlier studies (see [A summary of consumer research 1993-2005](#), page 5-6).

- Propensity to buy: The BMRB study found “a very strong link between similarity to a branded product and likelihood of purchasing that product” (page 9). In eight of the ten products tested there was a higher propensity to buy the copy than the corresponding control, with a gap of 14 points or more being found in five of the products (for two of the products it was 27 points) (page 8). This indicates an influence on buying behaviour.
- Higher prices?: The higher perceptions relating to price, quality, suitability for intended use, value for money and propensity to buy points to one or combination of two likely effects on the market: greater sales volumes and / or higher prices for the copy than would otherwise be the case.

Hard evidence on these effects is difficult to gather due to the inaccessibility of the data and, more significantly, the impossibility of isolating the effects of similar packaging from other factors such as product formulation, promotion and merchandising. Indicative evidence can be found in the *L’Oreal v Bellure* [Court of Appeal decision](#) which stated that perfume in similar packaging was for sale at a 100% premium over perfume in distinctive packaging from the same manufacturer (para 6).

- Exposure to misleadingly similar packaging: An environment in which unlawfully similar packaging goes unchallenged is likely to encourage the incidence of such packaging. The Which? article in May 2013 identified around 150 examples in the grocery market. Meanwhile

the IPI study found that 2.2% of consumers – over ½ million individuals – confirm they buy the wrong product frequently due to similar packaging.

- Longer term effects: It can be deduced from research findings that sales are diverted from the original to the copy for a range of reasons and to a significant extent. This can only impact negatively on brand producers' scope to invest in quality, choice and innovation over the long term, to the detriment of consumers.

Summary: consumers are damaged by similar packaging in a number of ways and in both the short and long term.

(2) VIEWS ON THE IPI STUDY

We continue to endorse the common understanding we reached with the IPO on the evidence contained in the IPI study:

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.

In terms of our wider perspective on the study, we make the following observations:

- The study focused unduly on retailer private label copies. It thereby mis-represented the practice, not acknowledging that some (albeit a minority of) copies are made by competing producers;
- The extensive historic research, while assessed, was in some instances misunderstood. For example, the analysis of the BMRB study focused on the absolute numbers rather than the differences in the findings between products in similar packaging and the control products. It is the differences that illustrate in particular the lookalike effect;
- The approach to historic research was unduly 'binary', with studies dismissed in their entirety on the basis that there were some identified limitations. Attempts might have been made to take account of the limitations while identifying valid findings that could inform policy;
- Building on the previous two points, the study did not provide an overall summary of all the research on a particular topic, resulting in the broad consistency in the findings not being conveyed. The overall effect is that the lookalike effect, in its various guises, is under-reported;
- The study did not assess sufficiently the shopping environment in which parasitic copies operate. It is a crowded and potentially confusing environment, with over 40,000 SKUs¹ in a large supermarket. Shoppers rely on colour and shape in particular to identify products and make choices quickly and accurately, typically in just a few seconds (see [Packaging in a market](#)

¹ SKUs: Stock Keeping Units

[economy](#), 2012. Page 16). As these are regular purchases, much of the decision-making is sub-conscious.

In stores where only the copy is on sale, shoppers rely on imperfect recall and the copy need not be as close in order to evoke the brand and prompt the lookalike effect (see [Breaking the mould on copycats](#) 2010).

All these factors explain and contribute to the lookalike effect but are largely ignored in the study.

- Despite focusing on retailer copies, the study did not explore fully the competitive and marketing advantages at the command of the retailer that reinforce and increase the lookalike effect.

Retailers receive details of new products and their packaging from the brand producer many months ahead of launch. The brand producer provides this information to secure listings and promotional and other support. The retailer is able to use this information to inform its competing private label product, including how it will be packaged, months before the original is on the market. Some also launch their own independent brands.

In the real world, effects of similar packaging can be amplified by on-shelf positioning, which is entirely within the control of the retailer. Moving a product from the worst to the best position on shelf, even without similar packaging, can increase sales rates by over 50%. Positioning combined with use of similar packaging can be used very effectively to drive consumers to buy the copy. Placing the similar pack adjacent to the branded original encourages mis-purchase, or at least draws attention to the copy, while encouraging the belief that the products are the same or equivalent (See Which? [video](#)).

The retailer also controls the consumer price of both the branded product and the copy and also controls all communication in store, including promotional information at point of sale.

Such competitive and marketing advantages, not available to the brand producer without the retailer's agreement and at additional cost, can be deployed to increase the lookalike effect.

Even more tellingly however, it demonstrates that the retailer already holds significant tools that give it competitive advantage, without the further need to copy the packaging of familiar brands. Indeed the packaging of most private label products is distinctive and is unlikely to mislead consumers in any way, begging the question why some retailers find it necessary to copy packaging at all.

It would have been valuable had the study explored these areas. It is surprising that it did not do so, bearing in mind their significance.

- It is notable that there was very limited engagement in the study from retailers, evident from the paucity of retail interviews and the fact that the sales analysis used panel data rather than the more reliable EPOS² data which reflects actual sales at the supermarket tills. It can only be assumed that retailers withheld this data and were not prepared to be interviewed. The probable net effect is that the analysis of the sales data was unduly inconclusive;
- The study focused on IP rights and to some extent the CPRs. It did not explore the implications of potential misleading and comparative advertising. This omission is again surprising, as a product in similar packaging is evoking a visual comparison with the original product.

² EPOS: Electronic Point of Sale

While we consider the study flawed, as a result of which the lookalike effect has been under-reported, it does contain valid evidence on which policy can be confidently based, as summarised in the common understanding reached with the IPO.

Summary: the IPI study has flaws as a result of which the look-alike effect is not well-explained and is under-reported. Nevertheless it is conclusive in its evidence that similar packaging prompts mistaken purchase and mistaken assumptions over the origin, quality and equivalence of products while increasing consumers' propensity to buy.

(3) WHY MIGHT CONSUMERS FEEL ADVANTAGED OR NOT BOTHERED?

It has been suggested to us that the lookalike effect should in some way be discounted because some consumers indicate they feel advantaged by buying parasitic copies (the IPI study) or are not bothered if they have made a mistake (Consumers' Association research, 1998). Indeed, some Which? members indicated they bought copies deliberately because they were cheaper or wished to see if it were as good as the brand (Which? magazine, May 2013).

Advantage

The IPI study does not investigate why consumers feel advantaged so we can only guess why this is the case:

- a. they bought the copy by mistake but liked it on using it;
- b. they interpreted the similar packaging as a signal that the product was the same as the original or manufactured by the brand owner;
- c. they felt they were getting a good deal as the copy was cheaper than the original.

In (a) and (b) above the consumers may well have been duped by the similar packaging. Scenario (a) demonstrates outright confusion. Scenario (b) may demonstrate confusion over quality and an impact on their transactional behaviour. In the case of (c), the cheaper price would have been available had the product been in distinctive packaging and indeed may have been lower had it not traded on the brand's reputation.

Both the Which? and Daily Mail articles last year included consumer perceptions of the quality of the copies and the original. From both articles it is clear that many consumers did not find the products the same, contrary to the impression conveyed by the similar packaging.

Not bothered

A consumer may feel unbothered by a purchasing error prompted by similar packaging as they may blame themselves, consider it unnecessary to fuss over a relatively low-priced purchase or be happy with the quality and / or price. As above, their original error, if due to similar packaging, is evidence of them being misled. Products of comparable quality can be produced without the need to mislead, with comparative advertising being used for example to convey similarities (if objective and verifiable). Meanwhile prices are likely to be lower when competitors are unable to trade off brand reputations.

Research indicates that many consumers are concerned about copying. The Which? article reports that, of those who had bought a product by mistake, 38% were annoyed and 30% felt misled. The BMRB research found that over three times as many shoppers agreed (64%) than disagreed (19%) that it would concern them if the packaging of a grocery item suggested that the item was connected to a long established make or brand when it was not.

Summary: some consumers may buy copies deliberately, may feel advantaged in doing so and may not be bothered if they have bought something by mistake. This however does not mean they have not been duped. It also does not legitimise unlawful behaviour.

(4) ARE CONSUMERS BECOMING MORE SOPHISTICATED IN THEIR APPROACH TO COPIES?

It has been suggested to us that consumers are becoming more sophisticated and understand better – and thereby reduce – the lookalike effect. The evidence suggests this is not the case:

- there is consistency in the research evidence over two decades that similar packaging prompts mistaken purchase and mistaken assumptions over the origin and quality of products. There is no indication that these effects are reducing;
- research indicating that similar packaging increases propensity to buy (BMRB research) is recent;
- shopper decision-making of regularly purchased grocery products is fast and to an extent instinctive, sub-conscious and reliant upon heuristics, notably colour and shape. Recent neuroscience-based research has provided some insight, whereby the speed and accuracy with which products are identified are influenced by whether or not products in similar packaging are present amongst the available choices (see [The effect of branding on consumer choice, 2012](#));
- Online shopping makes it more difficult not easier to distinguish between products when the shopper cannot see the complete product (and when inputting the brand name into search engines produces the own label variants in the search results).

Summary: there is no evidence that consumers are becoming more sophisticated in their approach to copies. Were consumers not misled by an instance of similar packaging, the courts would not find a breach of the CPRs.

(5) IS THERE ANY OTHER EVIDENCE?

The consultation document expresses interest in any other evidence that may exist. We recognise the value of considering all available evidence but believe strongly that the current evidence base, gathered over two decades, is sufficient to inform policy.

We also believe that the evidence will have been taken into account when the UCPD was the subject of development and consultation. This Directive makes it unlawful to produce packaging that misleads consumers over the source, quality, nature and equivalence of products and there is no basis to require further evidence in order to implement an adequate and effective enforcement regime.

The evidence on the consumer effects makes it clear that such copying is a B2C issue. It is also a B2B issue as it distorts competition between competing products and between retailers. It is important for policymakers to acknowledge that the practice has both these dimensions. Harm to consumers has direct effects in terms of harm to competitors.

Summary: there is extensive evidence gathered over two decades of the consumer effects of similar packaging, sufficient to assess UK implementation of the UCPD and to inform policy on the granting of civil enforcement rights under the CPRs.

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

(1) EUROPEAN COMMISSION COMPARATIVE STUDY

The European Commission commissioned an extensive study from Hogan Lovells International LLP into the comparative legislation in Member States that address parasitic copying (see [Study on Trade Secrets and Parasitic Copying \(Look-alikes\) MARKT/2010/20/D](#) (2012)).

Of particular note in the study were the following findings:

- Significant issues relating to look-alikes arise in the UK because of the way in which the common law in this area has developed (para 31(a));
- The majority of Member States provide redress under a combination of unfair competition laws and unfair commercial practices provisions based on the UCPD. The UK was highlighted as the only exception (paras 43-44);
- The analysis of unfair competition provisions places the UK at the far (weak) end of protection, with the requirement in the tort of passing off of demonstrating consumer confusion, without which misrepresentation cannot be found (para 48). As we have stated, confusion is also relatively narrowly drawn, being restricted to outright confusion and deception over origin (para 93.1);
- Only two Member States do not have unfair competition law, the UK and Ireland, having the tort of passing off instead (para 54). Notably Ireland provides for civil enforcement under the UCPD;
- The tort of passing off has limitations in addressing parasitic copying, with the result that a copy that would be unlawful in other Member States would not be challengeable in the UK (para 64);

An analysis of the countries with private enforcement of UCPD shows that two thirds of Member States provide for civil enforcement.

Summary: the Hogan Lovells report provides a comprehensive comparative assessment of the enforcement provisions in other Member States. It indicates that the UK has a significant issue with parasitic copies, differs from all other Member States in its approach to remedies and is in the minority in not having private rights of enforcement.

(2) REVIEW OF LITIGATION IN OTHER MEMBER STATES

The position reported in the 2011 Hogan Lovells' study remains substantially the same.

Legislative changes and rights of enforcement

For this consultation, Hogan Lovells has made informal enquiries of IP lawyers in five major EU jurisdictions on the Group's behalf.

We are not aware of any material legislative changes in France, Germany or Spain in relation to implementation of the UCPD or of any changes to the classes of persons entitled to bring proceedings under the UCPD in relation to parasitic copies.

In Italy legal protection against unfair commercial practices was extended in March 2012 to small businesses (with fewer than 10 employees and with an annual turnover or balance not more than €2m). Otherwise there has been no material change in relation to implementation of the UCPD or to the classes of persons entitled to bring proceedings in relation to parasitic copies.

In the Netherlands the newly constituted (April 2013) Netherlands Authority for Consumers and Markets is now permitted to bring private law enforcement actions in the place of the Netherlands Consumer Authority which itself has been merged into this new body. Otherwise there have been no material changes since September 2011.

Case law

In the same five major Member States, based on searches of publically and commercially available case law databases, it appears that (with the exception of Germany) there have been no reported civil enforcement actions since September 2011 to prevent parasitic copying based on the relevant national provisions enacted to implement the UCPD.

In Germany the Federal Supreme Court has heard appeals in three cases since 2011 concerning either or both of the following provisions of the Act against Unfair Competition 2004, as amended in December 2008 (AUC):

- No. 13 Annex to Section 3(3) AUC – which is based on No. 13 Annex I UCPD
- Section 5(2) AUC - which is based on Art. 6(2)(a) UCPD

These three cases are: Peek & Cloppenburg III - 24. 1. 2013 – I ZR 60/11 GRUR 2013, 397; AMARULA/Marulablu - 27. 3. 2013 – I ZR 100/11 GRUR 2013, 631; and Hard Rock Cafe - 15. 8. 2013 – I ZR 188/11 GRUR 2013, 1161. It is understood that in each case the rights derived from the UCPD were not relied upon in isolation, registered trade mark and other rights also being substantially relied upon. The rulings are of interest mainly for the clarifications given as to the inter-relationships between and commonality of some principles arising under existing trade mark and unfair competition laws and the above provisions based on the UCPD. Of these, the only parasitic copying case concerned marula fruit-flavoured liqueurs which the Federal Supreme Court remitted back to the lower court following its March 2013 judgment.

The Group is aware of a number of parasitic copying cases brought under provisions of national unfair competition laws enacted otherwise than for the purposes of implementing the UCPD in those Member States.

(3) REVIEW OF THE IRISH SITUATION

We have asked an Irish law firm, Whitney Moore, to provide an update on the Irish situation. Its comments are provided in Annex1.

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

(1) COSTS ASSOCIATED WITH THE GRANTING OF PRIVATE RIGHTS

It is hard to quantify the costs. This is partly because there are many procedural and marketplace differences between Member States that make comparative lessons and insights into costs hard to obtain. The closest regime is the Republic of Ireland and that has seen negligible additional litigation (the main case ([McCambridge Ltd v Joseph Brennan Bakeries](#)) eventually proceeded under trade mark and passing off law).

Most cases where parties have rights of action resolve themselves without ever getting to trial, adding to the difficulty of estimating costs.

It is most likely that the provisions of the CPRs will provide an additional (stronger) basis for claim in cases that may also have trade mark infringement, passing off and / or other IP aspects. This makes the attribution of costs specifically to the CPRs hard to separate and identify.

As the provisions of the CPRs will fill in gaps in current protection arising from having very specific torts, there is the prospect that the costs of disputes will reduce while increasing the certainty of outcome.

There are no additional costs to suppliers in designing and producing distinctive packaging as distinct from packaging that copies that of familiar brands. There may well be some additional costs to copiers who are no longer able to free ride off brand reputations but this will benefit consumers, with free samples and price promotions for example being used to prompt consumer trial and purchase rather than similar packaging and prices higher than would otherwise be warranted (the Which? article shows that similar packaging prompts consumers to trial products).

There may be costs associated with **not** granting private rights. Were public authorities to be asked to demonstrate the adequacy and effectiveness of the existing enforcement regime and to fulfil their duty to enforce, then costs would accrue to the public sector. Local government is best placed to quantify these costs.

Summary: Private enforcement rights cases are more likely to settle than to go all the way to trial and may have been brought anyway under other causes of action such as under IP rights (albeit the remedy under UCPD may be broader and more certain, depending on the facts). There are hidden costs in not granting private enforcement rights

(2) BENEFITS ARISING FROM THE GRANTING OF PRIVATE RIGHTS

The most significant benefit to arise from adequate and effective enforcement will be the presence on the market of fewer copies and more distinctive packaging, in turn allowing consumers to make better informed and more efficient purchasing decisions, as the Directive intends. This means higher levels of consumer protection at no cost to the taxpayer.

Consumers are also likely enjoy lower prices in those instances where the product in similar packaging is priced more highly than would otherwise be the case were it competing on its own merits in distinctive packaging. As discussed above, consumers are also likely to benefit from competitors having to offer more tangible consumer benefits to prompt trial and purchase.

Brand producers will benefit from the ability to communicate more clearly their distinctive and differentiated consumer propositions. A reduction in the unlawful diversion of brand sales to copiers and the cost savings arising from the reduced need to act against parasitic copying will increase resources available for ongoing investment in quality, choice and innovation. This is especially important for SMEs.

Summary: private enforcement rights will reduce the number of unlawful copies on the market, allowing consumers to make more informed purchasing decisions. Prices are likely to fall as competitors compete more aggressively for consumer trial. Meanwhile the wastage of brand producers' resources will reduce, allowing for more ongoing investment in quality, choice and innovation.

(3) EFFECTS ON COMPETITION

Effective enforcement of the CPRs will be wholly beneficial for competition:

- Products in misleadingly similar packaging and found to be in breach of the CPRs' provisions will not be removed from the market. It is not the product that is unlawful but the packaging. The product can be re-launched on the market in clear, distinctive packaging, preserving competition and consumer choice;
- Similar packaging suggests the products are very similar, inducing the consumer to choose primarily on price (the Which? article found some members bought the copies deliberately because they were cheaper). Forced to package their products distinctively, competitors will be forced to compete on the basis of both quality and price.

Products don't need to copy packaging to succeed. The significant majority of retailers' private label products are distinctively packaged and a number of retailers do not adopt copying strategies at all. Furthermore, in the top-end premium and low-price value segments of private label products, retailers tend to adopt wholly distinctive packaging, with copying taking place primarily in the mid segment where they compete head-to-head with branded products.

The competitive and marketing advantages retailers already have over branded products are highlighted above, including access to advance commercially-sensitive information and control over: the retail price of all products in store, shelf position, number of product facings on shelf, in-store display and in-store promotion. Retailers do not require any further advantage.

That only a minority of private label products copy brand packaging has not inhibited private label success in the UK which enjoys a high market share. It is notable that private label share in the UK is the same as in Spain, a country with strong remedies against parasitic copying which include private rights of action under the UCPD and unfair competition provisions that address unfair imitation and the taking unfair advantage of others' reputations and efforts (see Hogan Lovells report, para 52).

Furthermore, a number of countries with strong remedies against parasitic copies show stronger growth of private label value share than the UK, suggesting that such remedies do not inhibit growth or competition.

Were it to be considered that misleadingly similar packaging was in any way pro-competitive (we cannot envisage a situation where purposefully misleading consumers is warranted), it would not be a sufficient justification for the UK not to implement the UCPD fully as it is required to do, notably by providing adequate and effective enforcement.

Impact on other producers

The BMRB research showed that the propensity to buy a parasitic copy was higher than for a product in the same category in more differentiated packaging. This suggests that there could well be an impact on other distinctively packaged competitors in the category, not just the copied branded product. Such products have no recourse in law but would suffer competitive damage were their consumers misled by misleadingly similar packaging to buy the copy rather than their distinctively packaged product. More effective enforcement of the CPRs would reduce such effects.

Negotiating power

Granting private enforcement rights would strengthen the ability of brand producers to negotiate with retail customers to re-design and re-package products that risk misleading consumers. This would increase the bargaining power of brand producers only to the extent permitted by the provisions of the CPRs. There could be no competitive advantage gained that went further than

ensuring consumers were able to make well-informed, efficient purchasing decisions on the basis of packaging that did not mislead.

Market power and market contestability

The consultation document suggests that brand reputation can create strong market power and make markets less contestable. Brands are created and sustained in the minds of consumers, formed primarily by producers supplying high quality, consistent, differentiated, innovative products and doing so in a reputable and sustainable way (See [Posh Spice and Persil](#), 2001). It is not clear whether the consultation considers strong market power (*aka* strong consumer preference for a product that meets their needs better than others) to be in some way undesirable. Similarly, were brands to set standards of quality, performance and reputation that consumers consider the minimum acceptable, should they be in some way censured for making those markets less contestable by products of lower quality?

In the case of misleadingly similar packaging, strong consumer preference for one product over another provides a strong argument for clear signals to enable clear choices, with consumers able to identify quickly and accurately the products they wish to buy. It is not in the consumer interest for them to be misled into thinking an imposter uses the same ingredients, recipes and production methods or facilities and adopts the same reputational and sustainable behaviours when it does not.

There are many ways to encourage consumers to trial new products, including free samples, low prices, small tester products and promotional offers. Advertising and PR meanwhile can be deployed to further inform consumers. Retailers are particularly well-placed to encourage trial of their private label products, with their control over consumer pricing, shelf display, shelf position, in-store communication and in-store promotion.

There is no evidence that such techniques are in any way deficient in bringing better products to market. Dyson vacuum cleaners, Cathedral City cheese, Rachel's yoghurt, Green & Black's chocolate, Charlie Bigham's pies, Fever-Tree tonic water and Tyrells crisps are all examples of new products introduced into categories with strong incumbent brands, succeeding by offering a distinctive alternative while not misleading consumers.

The question of power in the market is more relevant when considering how brand producers may themselves prevent the use of misleadingly similar packaging. This tends to be initially a matter of discussion and negotiation between the parties, but the brand producer's hands are tied in such negotiations if the law, whether in letter or practice, permits such packaging to go unchallenged. Private enforcement rights for the CPRs will allow the consumer voice to be heard much more powerfully in these negotiations than would otherwise be possible.

Competition concerns

The consultation document suggests that branding may give rise to competition concerns by erecting barriers to entry and segmenting markets. It is unclear how or why branding – the discipline of building strong, sustainable reputations for products and services with distinct propositions – might provide cause for concern.

If many consumers have a clear preference for a product and a competitor is unable to develop a competing offer which performs better, is cheaper and / or cannot be produced to equivalent or better reputational or sustainable standards, the performance of the original product may indeed present a barrier to entry. However it is a legitimate one and serves the consumer well. It is not a basis for permitting the competitor to present itself as being made by and / or of comparable quality to the original when it is not.

The segmentation of markets should not present competition concerns. It is a means of identifying groups of consumers with distinct needs and seeking to meet those needs more accurately and better than would be possible were all consumers considered the same. 'Organic' and 'free from' foods are examples of segmentation strategies, as are 'bio' and 'non-bio' washing powders. As we have discussed, retailers adopt the same strategy for their private label products, with premium, standard and low-price ranges, children's products and other variants. This technique, of seeking to meet the differing needs of different consumers better, enhances rather than constrains competition.

In relation to misleadingly similar packaging, there is no possible basis, on competition grounds, for endorsing or permitting the deception of consumers or inducing them to make purchasing decisions on the basis of false or inaccurate information.

Where competition concerns arise due to the behaviour of companies rather than the behaviour of consumers, there are well-understood and well-established rules in place. Such concerns arise where there is an abuse of a dominant position (a dominant position itself is not anti-competitive) and cartel behaviour such as collusion. These concerns do not arise in relation to misleadingly similar packaging.

The competition issues raised in the past by the Group relate not to the breach of competition rules but the distortion of competition between products and between retailers. Parasitic copies harm the original producer which loses undue revenue, faces increased costs, has its distinctive identity diluted and may well face reputational damage, all due to an unlawful practice. Retailer competition is distorted as retailers who do not copy will not enjoy the same sales uplift in product sales as those who do and will have to spend more to establish the reputation of their own products as opposed to free-riding off the reputation of others (see Discussion paper *The competition effects of look-alike products*, Paul Dobson, Nottingham University, 2008).

Summary: the granting of private enforcement rights can be expected to be positive for competition, with no competition downsides. Brand reputation will be sustained, a positive outcome for consumers, while the voice of the consumer will be conveyed more powerfully in negotiations between parties to ensure they are not misled. Competition between producers and between retailers will be enhanced as a result.

(4) EFFECTS ON INNOVATION

The IPI study was inconclusive on the impact of copying on innovation, finding circumstantial evidence pointing both ways.

It is self-evident that companies that suffer reduced sales / revenue and increased costs as a result of unlawful copying will have less resource to spend on R&D and innovation. In addition, the current position is not a conducive environment for innovation as brand producers cannot be confident that competitors will not seek to free-ride off their investment through similar packaging as soon as their innovation is shown to be a success. Any effect on innovation of the current regime is likely therefore to be negative and would improve with more effective remedies.

Granting private rights of action is likely to encourage further innovation as it will strengthen the competitive pressure on companies to compete not just on price but also on other factors, whether quality, ingredients, source and / or reputation.

The IPI study indicated that some brand producers may innovate more than would otherwise be the case when faced with parasitic copying. It however does not explore where that additional innovation effort is focused, whether on product or packaging, and if on packaging, whether on

functional or presentational aspects. It does however indicate that such innovation is costly and likely to be incremental. While larger organisations may be able to invest in continual innovation to stay ahead of copiers, start-ups and SMEs in particular may not have the resources to do so.

In any event, any evidence of defensive innovation by brand owners should be discounted by policymakers as it would be prompted by unlawful activity. It is not permissible to mislead consumers under the provisions of the CPRs, irrespective any implications on innovation.

Summary: the environment for innovation can be expected to be enhanced by the granting of private enforcement rights. Brand producers, who have a strong track record of innovation, will have additional resources to innovate further while competitors will be forced to compete on the basis of their own innovation as opposed to free-riding off the reputation of others.

(5) EFFECTS ON SMES AND GROWTH

Stronger measures to ensure consumers are not misled in their purchasing decisions is likely to be positive for both SMEs and growth.

SME producers may enter the market using either a branded or a private label business strategy:

- For SMEs entering and participating in the market using a brand model, they will be able to sustain their distinctiveness with consumers more easily, while not suffering hijacked sales and increased costs should a competitor adopt misleadingly similar packaging.

The challenges presented by the current remedies and their enforcement regime are particularly acute for SMEs, presenting an extreme level of both cost and uncertainty that mitigate against them taking action and may dissuade them from investing in future innovation;

- For an SME entering the market as a private label supplier, more effective enforcement of the CPRs will make no significant change. The vast majority of private label products are distinctively packaged and are therefore unaffected by the provisions of the CPRs.

Branding is strongly associated with innovation and both are strongly associated with market growth. The IPO's [Trade Mark Incentives study](#) (2011) identified a strong correlation between firms that register trade marks (those distinctive signs that clearly indicate origin and underpin brands) and productivity, higher employment, higher wages, benefits to households and growth.

Last year's WIPO report [Brands – Reputation and image in the global marketplace](#) states that branding is "one of the most important mechanisms for firms to secure returns on investments in R&D. Accordingly, firms that invest more in innovation also invest more in branding", concluding that branding complements innovation.

This same report also indicated the resilience of brands, stating that the total value of the top 100 global brands grew by between 19% and 24% between 2008 to 2013 despite the global economic downturn.

These studies reinforce work undertaken by PIMS in 1998 and 2004 that compared the performance of branded with non-branded companies. It concludes that "Branded goods manufacturers invest larger sums, and invest more efficiently, in areas such as innovation that create economic growth, employment and productivity". This research formed part of our [submission to the Gowers Review](#) (see pages 64-67).

Branding is a powerful and important force in a high-cost, knowledge-based economy such as the UK. It is relevant to companies of all sizes, applies across businesses (whether producers or service-providers) and is decentralised (cf A G Barr soft drinks in Cumbernauld; McCain foods in Scarborough; Baxters soups in Fochabers; Ty Nant spring water in Bethania). It enhances accountability to consumers, prompts reputable, sustainable corporate behaviour and stimulates competition on the basis of quality and reputation rather than price alone. In addition to the positive impact on productivity, jobs and growth, brands and branding also enhance the international competitiveness of UK companies and the UK's reputation abroad, enhancing export performance (see [Brands beyond business](#), 2004, pages 10-12).

It is an anomaly that the UK does not provide the same level of protection to these high value business assets as is afforded in other competing economies.

Distinctive packaging designs that allow consumers to make informed purchasing decisions allow the branded business model to function, contributing to the welfare of the economy more generally. Private enforcement rights will support this, reinforcing the positive cycle of innovation, brand-building, consumer franchise and further innovation (see [A virtuous cycle: Innovation, consumer value, and communication](#), PIMS and IMD, 2000).

Summary: granting private enforcement rights can be expected to be positive for SMEs and positive for growth. It will allow resources to be channelled more efficiently to brands and trade marks that are known to contribute to productivity, jobs and growth. It is also wholly consistent with building a strong, competitive economy based on reputable, decentralised businesses developing high value, resilient intangible assets.

(6) REVIEW OF THE IMPLEMENTATION OF THE UCPD

The European Commission has recently reviewed the UCPD and its implementation. In its report to the European Parliament in 2013 ([COM \(2013\) 139](#)) it expresses no concerns over the impact of the Directive in relation to competition, innovation, SMEs and / or growth. Meanwhile it expresses specific support for stronger enforcement where a practice misleads consumers (see page 14). Its [guidance](#) on the Directive gives parasitic copying as a specific example of a misleading practice and outlines in details the types of confusion covered by the provisions (see pages 36-7).

Summary: the European Commission's review of the UCPD did not highlight any adverse effects arising from the provisions but expressly supports stronger enforcement against practices that mislead consumers.

(7) GENERIC CUES

It has been suggested that there is a fine line between confusing packaging and using generic cues. We challenge this. A generic cue is by definition generic and not an identifier for a specific product or producer. The Minister raised this in debate in the House of Lords, quoting mint toothpaste as an example. Any generic cues for mint in toothpaste still gives plenty of room for distinctive packaging designs.

There are common-place design features, such as green bottles for wine or flowers to depict 'fresh'. These will remain unaffected by private enforcement rights as they are common-place and not, in isolation, signals for specific products. However, a pack design might well incorporate a range of design features which in isolation are common-place but together, taken as a whole (which is as the shopper sees it at point-of-sale), may well be highly distinctive. Private

enforcement rights would grant no 'right' over these common-place features individually but would help prevent consumers being misled when many are used in a distinctive way to signal a specific product.

There is a big difference between competitors who use a generic or category cue to depict a type of product and those that set out to mimic a range of features associated with a familiar brand in order to create a similar overall appearance. Category cue arguments are often used to justify copying (and historic copying) of familiar brands. However it is one thing to say that green = mint or yellow = lemon. It is another to say that red=cola or squat dark bottles = Marmite. It is relatively straightforward to identify which approach a competitor is following by assessing how packaging designs have evolved (generic cues are unlikely to change). It is also instructive to compare the packaging of a range of products competing in the category, assessing any visual cues they have in common (if any) and the relevance of those cues to specific qualities.

Summary: generic cues do not signal specific products and will not give rise to breaches of the CPRs when used in conjunction with otherwise distinctive packaging. In cases of parasitic copying, the competitor is copying brand rather than generic cues.

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

(1) HOW PRIVATE RIGHTS OF ACTION WOULD WORK IN PRACTICE

Claims of misleadingly similar packaging would be best brought before the same tribunals that currently handle trade mark, design, copyright and passing off cases. This is because cases may involve both IP and CPRs claims and because those courts are familiar with considering the impact of competing products on consumers. The Intellectual Property Enterprise Court (Patents County Court) is a particularly appropriate forum for SMEs.

Summary: claims of misleadingly similar packaging would be best brought before the same tribunals that currently handle trade mark, design, copyright and passing off cases.

(2) IMPLICATIONS FOR PUBLIC ENFORCEMENT

Trade mark law already has both civil and criminal remedies and in practice the two-track enforcement regime works well. Furthermore there are analogies to be drawn with private criminal prosecutions that run concurrently with public enforcement priorities.

In practice private and public enforcement complement and assist each other and do not cut across each other in a damaging way.

There may be concerns over duplication of effort, where a local authority and a brand producer may plan to take action against the same company at the same time. However this is a hypothetical issue unlikely to arise in practice as public enforcers are not taking any enforcement action in this area, a situation that is not expected to change with their diminishing resources.

Summary: public and private enforcement is expected to co-exist comfortably with each other with no downside, as they already do in other areas.

(3) A MORE LITIGIOUS REGIME

It has been suggested to us in the past by BERR and BIS that a major reason for not granting private enforcement rights is that it would open the floodgates to litigation. This suggests there are significant breaches of the CPRs in relation to misleadingly similar packaging that are currently not being enforced.

Suggestions that floodgates will be opened are not supported by evidence from other countries (cf the Republic of Ireland) and there are a number of factors that strongly mitigate against litigation:

- Court action in the UK is expensive and therefore not undertaken lightly;
- Many copies are produced by brand producers' retail customers. Action against a customer is likely to be a last resort;
- The provisions of the CPRs provide more effective protection than IP rights but do not provide certainty of outcome. Cases will still turn on their merits. Brand producers will continue to be reluctant to take action where there is a possibility of failure, given their potential exposure in costs and also the risk that this would only encourage others to copy.

A more plausible scenario is that there will be some test cases which will clarify the interpretation of the law, accompanied by revised behaviour by competitors who can be expected to take greater care to ensure that their packaging designs will not mislead consumers. A more effective enforcement regime will provide a stronger basis for dialogue and negotiation between parties resulting in a better outcome for consumers.

Brand owners would rather avoid dedicating significant resources to pursuing a claim in court as this takes valuable resources away from business development, brand building and other areas of investment crucial to success. Were brand owners able to rely on the provisions of the CPRs, they would be able to negotiate more effectively with the producers of parasitic copies, making it easier to reach satisfactory out-of-court settlements.

Summary: granting private enforcement rights may result in a few test cases as the scope of the CPRs is explored but this will not amount to a more litigious regime.

(4) A RISK OF MISCHIEF-MAKING?

UK litigation is expensive and unlikely to be entered into lightly. The courts already have effective sanctions to deal with mischief making. Requiring cases to be set out in detail at the outset, striking out and costs sanctions are all powerful tools for minimising hopeless or spurious claims.

Summary: the current legal regime already has effective provisions to prevent hopeless or spurious claims.

(5) THE USE OF PRIVATE SECTOR RESOURCES TO ENFORCE THE CPRs

Only a very narrow right is sought, dealing solely with misleadingly similar packaging. In this area (amongst others) the interests of consumers and of brand producers are wholly aligned, making it appropriate for producers to be granted civil rights of action in the interests of consumers. The provisions of the CPRs do not permit factors other than the consumer interest to be taken into account.

Private rights are sought on the basis that public authorities have expressed an unwillingness to enforce, resulting in the enforcement requirements of the UCPD not being met. Using private sector resources to enforce the CPRs in this narrow area of commercial activity will result in

higher levels of consumer protection at no cost to the taxpayer. It will also meet BERR's ambitions for the CPRs to provide high levels of consumer protection and high levels of compliance (BERR, [Government Response to the consultation on draft Consumer Protection from Unfair Trading Regulations](#), February 2008, URN 08/554). This standard is unmet in this area so far.

Granting such rights will not set a precedent for the granting of wider private rights to others. Brand owners have been engaging policy makers for twenty years on the problem of misleadingly similar packaging; a Treasury review found brands in the UK to be not well-protected against misappropriation; that review and Competition Commission market investigation proposed the CPRs as a potential remedy; a government-funded and commissioned study found that similar packaging misleads consumers and certain examples are unlawful under the CPRs; and the UCPD requires the Directive to be adequately and effectively enforced. The process has been rigorous and it is assumed that any other claims for private enforcement would be subjected to the same rigour.

Summary: using private sector resources to enforce against misleadingly similar packaging will result in consumers being better able to make accurate, well-informed and efficient decisions, achieving higher levels of consumer protection at no cost to the taxpayer.

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

(1) RELEVANT PROVISIONS OF THE CPRs

The CPRs contain a number of provisions that are relevant to addressing misleadingly similar packaging, notably Regulations 3, 5(2), 5(3) and Clause 13 of Schedule 1. This suggests that private enforcement should apply to all relevant provisions in order to ensure full compliance with the UCPD.

In providing narrow a right, an appropriate approach would be to limit the right to taking action against the specific practice of misleadingly similar packaging considered unfair under all the provisions of the CPRs. It would also be appropriate to restrict such rights only to those with a legitimate interest, being those who reasonably believe that the similar packaging is likely to cause confusion or association with their own packaging and/or products.

Potential wording may be:

“Persons regarded as having a legitimate interest shall have the right to commence civil enforcement proceedings against similar packaging of consumer products which would be considered to be unfair under the Consumer Protection Regulations 2008. Persons shall be considered as having a legitimate interest where they reasonably believe that the similar packaging is likely to cause confusion or association with their packaging and/or products.”

(2) GENERAL APPROACH TO THE LEGAL CHANGES REQUIRED

The right for brand owners with a legitimate interest (as defined above) to take enforcement proceedings in the circumstances defined above could be conferred by regulations made under section 2(2) of the European Communities Act 1972 (“the 1972 Act”) without the need for primary legislation.

Part 4 of the CPRs, which were made under section 2(2) of the 1972 Act, contains provisions for the enforcement of the CPRs. In particular, regulation 26 engages the enforcement regime in Part 8 of the Enterprise Act 2002 by amending Schedule 13 of that Act. Regulation 27 goes on to insert section 218A (unfair commercial practices: substantiation of claims) into the 2002 Act which applies where an application for an enforcement order or an interim enforcement order is made in respect of a Community infringement involving a contravention of the Unfair Commercial Practices Directive (“the UCPD”). In legal terms, the same effect could have been achieved by the CPRs setting out free standing provisions based on Part 8 of the Enterprise Act 2002 which would equally have been within the powers of section 2(2) of the 1972 Act.

Article 11 of the UCPD specifically provides that the “adequate and effective means” to be made available to enforce compliance with its provisions in the interest of consumers can 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 take legal action against such unfair commercial practices.” [Emphasis supplied.] Regulations giving enforcement rights to brand owners would implement Article 11 which therefore confirms that there is power under section 2(2) of the 1972 Act to make such regulations.

In conclusion it is suggested that the proposed enforcement power could be provided by regulations made under section 2(2) of the 1972 Act which are supplemental to the CPRs and have a title indicating their narrow ambit such as “the Consumer Protection from Unfair Trading” (Enforcement by Brand Owners) Regulations.”

(3) APPLICATION OF PART 8 OF THE ENTERPRISE ACT 2002

Given that the provisions of the CPRs do not permit factors other than the consumer interest to be taken into account, it would be appropriate for the enforcement regime available to brand owners to be based on Part 8 of the Enterprise Act 2002 which is consumer focussed. The fact that the enforcer in this case would also have a financial interest in the enforcement proceedings would make no difference to the criteria to be applied by the court in making enforcement or interim enforcement orders under Part 8.

Giving brand owners the right to bring enforcement actions under Part 8 could be achieved by the proposed regulations either by making textual amendments to Part 8 or by applying Part 8 subject to modifications. In fact, very little by way of modifications would be needed.

To demonstrate how this could be effected, we are setting out below the provisions of Part 8 with a commentary on what, if any, modifications would be needed.

- (a) A lead provision making brand owner with a legitimate interest (as defined above) an “enforcer” for the purposes of Part 8 in the limited circumstances described above – this would replace section 213.
- (b) 210 (consumers), 211 (domestic infringements) and 212 (Community infringements) – these would be applied and no modifications would be needed.
- (c) Section 213 (enforcers) – see (a) above.

- (d) Section 214 (consultation) – the normal requirement to engage in appropriate consultation in accordance with rules made by the Secretary of State would be applied and no modification would be needed.
- (e) Section 215 (applications) – paragraphs (1), (5) and (9) would apply. The other paragraphs should not apply but no express modification would be needed since they are self limiting (as they refer to general, designated, Community or CPC enforcers).
- (f) Section 216 (applications: directions by OFT) – this section, which enables the OFT to direct that an application can only be made by another enforcer, would need to be disapplied.
- (g) Section 217 (enforcement orders), 218 (interim enforcement order) and 218A (unfair commercial practices: substantiation of claims) – these would be applied without modification.
- (h) Section 219 (undertakings) – this would apply except for paragraphs (5A) and (5B) which relate to CPC Enforcers and are therefore self limiting. No express modification would be needed.
- (i) Section 220 (further proceedings) – this would be applied without modification.
- (j) Section 221 (Community infringements: proceedings) – this should not be applied but no express modification would be needed since the provisions of section 221 are self limiting (as they refer to general, designated or CPC enforcers).
- (k) Sections 222 (bodies corporate: accessories), 223 (bodies corporate: orders) would be applied without modification.
- (l) 224 (OFT) and 225 (other enforcers) would be applied, an express provision being necessary to engage them.
- (m) Section 226 (notices: procedure) and 227 (notices: enforcement) – these would be applied without modification.
- (n) Section 227A to 227F (provisions relating to rights of entry by a CPC Enforcer) – these should not apply though no express disapplication would be needed to produce that effect since they are in terms limited to CPC enforcers.
- (o) The miscellaneous provisions in sections 228 to 236, some of which would not be relevant, would be applied without modification.

(4) IN SUMMARY

The main modifications required would be the replacement of sections 213 and 215(2) to (4) and the omission of section 216. An express provision would be needed to engage sections 224 and 225. Although sections 227A to 227F (relating to rights of entry) are not intended to apply, no express provision would be needed to produce that effect since they are drafted so as to be applicable only to “CPC Enforcers.”

Summary: Private rights of enforcement are only sought in relation to misleadingly similar packaging. The right needs to embrace all relevant provisions of the CPRs relevant to that specific practice and should be available only to those with a legitimate interest. The rights of enforcement can be conferred by regulations made under section 2(2) of the European Communities Act 1972 without any need for primary legislation. It would be appropriate for the enforcement regime to be based on Part 8 of the Enterprise Act 2002; and this can be effected by the proposed regulations applying Part 8 subject to relatively straightforward modifications.

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

We will respond to this question once BIS publishes its response to this consultation.

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

(1) RISKS ASSOCIATED WITH CONTINUING THE PRESENT ARRANGEMENTS

There are a number of market- and policy-based risks arising from continuing the present arrangements:

- Consumers will continue to be misled in significant numbers by similar packaging and inhibited from making accurate, well-informed purchasing decisions. Longer term, some detrimental impact on choice and innovation can be expected;
- The UK will continue to be a market that condones misleadingly similar packaging. Copiers will know they can copy the packaging of familiar brands with impunity as long as they do not infringe blatantly IP rights;
- Brand owners in the UK will continue to be deprived of a fair return on their investments in innovation, product quality and reputation, continuing damage to the UK's reputation as a market conducive to the creation and building of brands;
- A continuation of the present arrangements would lay the UK open to challenge for failing to implement fully the UCPD and MCAD. It would also continue to be in breach of Article 10^{bis} of the Paris Convention and TRIPS.

(2) RISKS ASSOCIATED WITH GIVING BUSINESSES A CIVIL INJUNCTIVE POWER

Risks are minimal. Granting private rights is not some leap into the dark as many countries have provided such rights which have been in place for around six years. Any significant unforeseen consequences will have become apparent by now.

Furthermore, a number of Member States have legislative provisions against similar packaging that go further than the CPRs in protecting competitors from unfair imitation and free riding. These have not created difficulties in relation to the functioning of those markets.

(3) ANY FACTORS THAT MAY MAKE THE UK DIFFERENT FROM OTHER COUNTRIES?

We are not aware of any factors that make the UK different from other countries that have not already been highlighted. The most notable differences are the UK's unique and unsatisfactory approach to remedies with the tort of passing off combined with the absence of private enforcement of the CPRs. As a general principle markets in Europe are at an advanced stage of harmonisation, reducing differences between Member States.

(4) RISKS ARISING DURING TRANSITION FROM ONE REGIME TO ANOTHER?

It is assumed that private rights of enforcement would be introduced on a specific date. Prior to that date, existing cases may be re-examined to explore whether there is sufficient evidence to demonstrate to a court that the CPRs had been breached.

It is not envisaged that there will be any risk arising from any transition period. Once private rights became available, it is envisaged that that this area of claim would in many cases be brought alongside IP claims.

Summary: there are some significant risks in continuing with the present arrangements. In contrast we are unable to identify any significant risks in giving businesses civil injunctive power in the narrow area of misleadingly similar packaging. This would be beneficial for consumers, innovators, investment, competition and growth.

Issue 9: Other issues

There are no other issues we wish to highlight at this point.

J A Noble
19th May 2014

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19 May 2014

Re: Implementation of the Unfair Commercial Practices Directive in Ireland

Dear Sirs,

We are happy to provide the following comments on the implementation and effect of the UCPD in Ireland. The Irish Consumer Protection Act 2007 (the "CPA 2007") was enacted to give effect to the UCPD and it came into force on 1st May 2007.

The National Consumer Agency

The National Consumer Agency was established by the CPA 2007 as the independent statutory body having various functions including the prosecution of offences under the relevant statutory provisions.

The Agency's enforcement activity since the coming into force of the CPA 2007 appears to have been almost exclusively confined to prosecutions against traders for price display offences or 'car clocking' offences (where the vehicle odometer was interfered with).

The only example that we are aware of where the Agency took enforcement action against a trader for a lookalike product was in 2011 when the Agency prosecuted a newspaper for breach of the CPA 2007 after it had published an edition of its newspaper with a lookalike wraparound cover sheet which was closely reminiscent of a rival national newspaper which had just ceased trading.

Private right holders

The CPA 2007 provides that "any person" may apply to the Circuit Court or High Court for a "prohibition order" prohibiting a trader or person from committing or engaging in a prohibited act or practice. Therefore, it is clear that private right holders in Ireland are entitled to apply for injunctive relief in respect of the prohibited commercial practices (that is, commercial practices which are "unfair", "misleading", "aggressive" and/or the so called black-listed commercial practices which are prohibited in all circumstances). However, the right to damages is available only to consumers.

We are aware of only one legal action in Ireland in which a private right holder sought a prohibition order under the CPA 2007 against a competitor's product on the basis that the packaging was alleged to be too similar. That single case is *McCambridge Ltd v Joseph Brennan Bakeries* where McCambridge sought a prohibition order following the defendant's adoption of similar packaging for its bread product which McCambridge claimed constituted an unfair and/or misleading commercial practice. In a judgment delivered by the High Court on 25th November 2011¹ the plaintiff's claim for a prohibition order under the CPA 2007 was refused, although the Court did hold that the defendant's product was a passing-off.

An application for a prohibition order by a private right holder must be on notice to the National Consumer Agency. The Agency was represented by counsel at the trial in *McCambridge v Brennan* however it adopted a neutral position and did not make any submissions.

The only other reported Irish judgment delivered post May 2007 in a case involving similar product packaging, that we are aware of, is *Jacob Fruitfield Food Group Ltd v. United Biscuits (U.K.) Ltd*². In this case the High Court granted a preliminary injunction against the defendant's fig rolls product although it refused to do so in relation to the defendant's cream crackers product. The plaintiff's claim was based on passing off alone and not on any provision of the CPA 2007 (these proceedings were commenced only five months after the CPA 2007 came into force).

The only other notable judgment in which a private right holder sought to utilise the CPA 2007 is a 2009 High Court action in which Tesco unsuccessfully sought an injunction against Dunnes Stores to prevent allegedly misleading advertising, partly under the provisions of the CPA 2007.

General comments

While rights holders in Ireland can take action against parasitic copies by using the law of unfair commercial practices, passing off is still seen as the main cause of action. The lack of detailed judicial analysis of the UCPD, and in particular its provisions regarding unfair and/or misleading commercial practices as they apply to parasitic packaging, may have discouraged wary brand owners from relying on the UCPD. Passing off cases remain relatively rare perhaps because they are viewed as difficult cases to win. A majority of the passing off cases that do arise are disposed of at the interlocutory injunction stage whereas, because it has been held that a prohibition order under the CPA 2007 is in the nature of a final order, the Irish Courts do not have jurisdiction to grant an interim or interlocutory injunction under the CPA 2007; this is another possible reason for the lack of Irish case law on the UCPD.

In our view, there does not seem to be any noticeable increase at all in the number of cases being taken by private right holders in respect of lookalike packaging since the coming into force of the CPA 2007.

Yours faithfully,


WHITNEYMOORE
Solicitors

¹ [2011] IEHC 433

² [2007] IEHC 368