Marcus Höpperger[*] *and Martin Senftleben*[**]

Protection Against Unfair Competition at the International Level – The Paris Convention, the 1996 Model Provisions and the Current Work of the World Intellectual Property Organisation[***]

1. Introduction

One of the main characteristics of a market economy is the presence of competition between various actors in the market.[1] The question where the line should be drawn between fair competition and unacceptable competitive behavior has created abundant debate and literature. In the 90s, the World Intellectual Property Organisation (WIPO) undertook a number of activities dealing with the topic of protection against unfair competition. A study on protection against unfair competition reflecting the world situation at that time was presented in 1994.[2] WIPO Model Provisions on Protection Against Unfair Competition were published in 1996.[3] In section II. which follows, Art. 10*bis* of the Paris Convention which anchors the protection against unfair competition in the international legal framework of industrial property rights, will be discussed. An analysis of the 1996 Model Provisions will be conducted in section III. Section IV., the final section, contains concluding remarks and an outlook.

2. The Paris Convention

Art. 10*bis* of the Paris Convention (PC) is the basic international norm in the field of unfair competition law.[4] By virtue of the reference in Art. 2 (1) TRIPS, it creates also an obligation among WTO Members to ensure protection against unfair competition under the TRIPS Agreement.[5] In the following subsection, an overview of the historical development of Art. 10*bis* will be given. Subsequently, the contents of the provision will be discussed.

2.1 The Historical Development of Article 10*bis*

Protection against unfair competition has been recognised as an element of industrial property protection for more than a century.[6] In 1900, the Brussels Conference for the Revision of the Paris Convention agreed that "[n]ationals of the Convention […] shall enjoy, in all States of the Union, the

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[*] Acting Director, Trademarks, Industrial Designs and Geographical Indications Law Division, WIPO – Geneva.

[**] Dr.; Associate Officer, Trademarks, Industrial Designs and Geographical Indications Law Division, WIPO – Geneva.

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[1] *Cf.* ULMER, "Das Recht des unlauteren Wettbewerbs in den Mitgliedstaaten der Europäischen Wirtschaftsgemeinschaft" 1-3 and 58-60 (Vol. I, Munich 1965); KÖHLER, in: BAUMBACH & HEFERMEHL, "Wettbewerbsrecht" – with comments by KÖHLER & BORNKAMM 14-27 (23rd ed., Munich 2004).

[2] WIPO publication No. 725, Geneva 1994.

[3] WIPO publication No. 832, Geneva 1996.

[4] *Cf.* MICKLITZ (ed.), "Study of the Institut für Europäisches Wirtschafts- und Verbraucherrecht on a fair trading framework for the European Community," dated November 2000, 13 and 467, made available on the Internet at <http://www.europa.eu.int/comm/dgs/health_consumer/library/surveys/sur21_vol3_en.pdf> (date of last visit: October 25, 2005).

[5] *Cf.* FIKENTSCHER, "Historical Origins and Opportunities for Development of an International Competition Law in the TRIPs Agreement of the World Trade Organisation (WTO) and Beyond," in: BEIER & SCHRICKER (eds.), "From GATT to TRIPs – The Agreement on Trade-Related Aspects of Intellectual Property Rights" 226-238, 233-238 (Weinheim 1996); HEINEMANN, "Antitrust Law of Intellectual Property in the TRIPs Agreement of the World Trade Organisation," in: BEIER & SCHRICKER, *ibid.*, 239-247, 240.

[6] For a brief overview of the historical development, *see* ULMER, *supra* note 1, at 21-24; BODENHAUSEN, "Guide to the Application of the Paris Convention for the Protection of Industrial Property" WIPO publication No. 611, 142-143 (Geneva 1969); GLÖCKNER, in: HARTE-BAVENDAMM & HENNING-BODEWIG (eds.), "Gesetz gegen den unlauteren Wettbewerb (UWG)" 46, note 1 (Munich 2004). A detailed description is given by LADAS, "Patents, Trademarks, and Related Rights – National and International Protection" 1678-1685 (Vol. III, Cambridge, Massachusetts 1975).

protection granted to nationals against unfair competition".[7] The new international norm was laid down in Art. 10*bis*. Subsequent diplomatic conferences went beyond the principle of national treatment.[8]

At the 1911 Revision Conference of Washington, agreement could be reached on an obligation among Convention countries to assure effective protection.[9] In 1925, the Revision Conference of The Hague defined this obligation in more specific terms by introducing a definition and two examples of acts of unfair competition in Art. 10*bis*. The first example clarified that all acts creating confusion with the products of a competitor must be prohibited. Pursuant to the second example, false allegations discrediting the products of a competitor constitute forbidden acts of unfair competition.[10] At the 1934 London Conference, the scope of these examples was broadened by replacing the reference to a competitor's products with the formula of "the establishment, the goods, or the industrial or commercial activities of a competitor".[11] A proposal by Germany seeking to prohibit certain forms of comparative advertising did not meet with approval.[12] A proposal tabled by Denmark, France, Norway, Sweden and Switzerland which aimed to prohibit false allegations referring to the origin, nature, manufacture, sale of products, or the quality of the commercial establishment or to industrial awards, was also rejected.[13] At the 1958 Lisbon Conference, however, a similar proposal by Austria was adopted, which led to the incorporation of a further example of acts of unfair competition, namely acts concerning indications or allegations liable to mislead the public as to the nature, manufacturing process, characteristics, suitability for their purpose or quantity of the goods.[14]

The present text of Art. 10*bis* mirrors the outlined stages of development. The first paragraph sets forth the obligation to ensure effective protection against unfair competition. In the second paragraph, acts of unfair competition are defined as "[a]ny act of competition contrary to honest practices in industrial or commercial matters". The third paragraph contains the aforementioned examples of acts which, in particular, must be prohibited: the causing of confusion with respect to a competitor's establishment, goods or activities (item 1), the discrediting of a competitor's establishment, goods or activities (item 2), and the misleading of the public as to the nature or other characteristics of one's own goods (item 3). The provisions of Art. 10*bis* are supplemented by Art. 10*ter* which provides for appropriate legal remedies capable of effectively repressing acts of unfair competition.

2.2 The Framework for Protection Established in Art. 10*bis*

Art. 10*bis* establishes a flexible, open minimum standard of protection against unfair competition. The obligation to assure effective protection, laid down in paragraph 1, does not require the enactment of specific legislation. Its implementation into national law is allowed to reflect the different traditions and historical sources of unfair competition law.[15] General tort law provisions and, in the sphere of the Anglo-American tradition, common law actions for passing off were invoked to ensure protection, and often combined with statutes or regulations governing specific areas of fair trading. Several Members of the Paris Union, however, adopted comprehensive statutes to provide protection against unfair competition.[16]

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[7] *See* "*Union internationale pour la protection de la propriété industrielle," Actes de la Conférence réunie à Bruxelles du 1er au 14 décembre 1897 et du 11 au 14 décembre 1900, Berne 1901, 164 (proposal by France), 187-188, 310, 382-383 (discussion and adoption).*

[8] The principle of national treatment as such does not impose an obligation on the Members of the Paris Union to afford protection against acts of unfair competition. *Cf.* LADAS, *supra* note 6, at 1678.

[9] *See "Union internationale pour la protection de la propriété industrielle," Actes de la conférence réunie à Washington du 15 mai au 2 juin 1911, Berne 1911, 53 (proposal), 105, 224, 255, 305, 310 (observations and adoption).*

[10] *See "Union internationale pour la protection de la propriété industrielle," Actes de la conférence réunie à La Haye du 8 octobre au 6 novembre 1925, Berne 1926, 252, 255 (proposal), 348, 351, 472, 478, 525, 546-547, 578, 581 (observations and adoption).*

[11] *See "Union internationale pour la protection de la propriété industrielle," Actes de la conférence réunie à Londres du 1er mai au 2 juin 1934,* Berne 1934, 197-198 (proposal), 418-419 (discussion and adoption).

[12] *See "Actes de Londres," supra* note 11, at 419.

[13] *See "Actes de Londres," supra* note 11, at 419.

[14] *See "Union internationale pour la protection de la propriété industrielle," Actes de la conférence réunie à Lisbonne du 6 au 31 octobre 1958*, Geneva 1963, 725, 784 (proposal by Austria), 106, 118, 725-727, 789-790, 852 (discussion and adoption).

[15] For an overview of the different traditions of unfair competition law, *see* WIPO study 1994, *supra* note 2, at 15-17; KAUFMANN, "Passing Off and Misappropriation – An Economic and Legal Analysis of the Law of Unfair Competition in the United States and Continental Europe," I.I.C. Studies (Vol. 9, Weinheim 1986).

[16] *See* the brief overview of national approaches in the WIPO study 1994, *supra* note 2, at 20-21. As to the different approaches taken by EC Member States, *see* the overview by MICKLITZ, *supra* note 4, at 13-16, and KÖHLER, in KÖHLER & BORNKAMM, *supra* note 1, at 65-78. For a detailed description, *see* BODEWIG, HENNING-BODEWIG and BAKARDJIEVA ENGELBREKT, in: HARTE &

At the core of the standard for protection against unfair competition under the Paris Convention lies the concept of "honest practices in industrial or commercial matters" on which the definition of acts of unfair competition in Art. 10*bis* (2) rests. As little guidance is given at the international level, the task of tracing its conceptual contours is primarily left to national legislators and courts. Traditionally, a line is drawn between the concept of honest practices and ethical standards referring to behavioural norms of fairness and decency in a given community.[17] This ethical approach is criticised by some as being imprecise. It is argued that the determination of relevant behavioural standards strongly depends on how the trade circle is defined whose customs and habits are taken as a basis for the analysis.[18] Moreover, it is asserted that trade circles whose business practices serve as a reference point for determining honest practices *de facto* shape the legal standards, in the light of which their behaviour is to be judged.[19] Therefore, some commentators align the concept of honest practices with the objective of ensuring the efficient operation of competition as a core instrument of market economies.[20] The flexible formula of honest practices in Art. 10*bis* (2) can hardly be understood to prevent national legislators and courts from pursuing this functional approach.[21] Standards of integrity and fairness on the market would have to be derived from the requirement to meet certain conditions for safeguarding competition as an institution of a free market economy.[22] This particular view of the concept of "honest practices" may lead to the reintroduction of ethical standards, such as personal responsibility for market actions, respect for the needs of other market participants, and regard for the equality of rights in the market.[23]

A certain restriction of the scope of Art. 10*bis* seems to follow from the continuous reference to acts of competition.[24] This reference is made in paragraph 2 providing the general definition of acts of unfair competition, and reappears in the first and second example set out in paragraph 3. In both cases, the establishment, goods or activities "of a competitor" are central to the analysis. To soften the impact of that requirement on the scope of Art. 10*bis*, a competitive relationship between traders in different branches of industry or trade and even an indirect competitive relationship could be deemed sufficient.[25] The wording of Art. 10*bis* (2) and (3), however, does not seem to preclude a more restrictive interpretation requiring direct competition between the party committing the act of unfair competition and the party whose interests are affected.

The examples in Art. 10*bis* (3) concern acts of unfair competition which, in particular, are to be prohibited at the national level. The enumeration was understood not to imply an obligation to enact specific national legislation.[26] Moreover, paragraph 3 does not limit the ambit of operation of the general definition in paragraph 2. An analysis of the three examples yields important insights into the international concept of protection. The first example, for instance, provides evidence of the particular

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HENNING, *supra* note 6, at 180-346.

[17] *Cf.* ULMER, *supra* note 1, at 42-43; LADAS, *supra* note 6, at 1685-1686; REED, "Water from Kerry Spring and 'Honest Practices'," 25 E.I.P.R. 429-431, 430 (2004).

[18] *See* SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 580, notes 76-78.

[19] *Cf.* ULMER, *supra* note 1, at 249; MICKLITZ, *supra* note 4, at 13; SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 580, note 79. It seems necessary to clarify whether this critique also concerns established international trading practices which, pursuant to BODENHAUSEN, *supra* note 6, at 144, and MICKLITZ, *supra* note 4, at 467-468, may be used by national judicial and administrative authorities as a point of reference for determining honest practices in the sense of Art. 10*bis* (2). *See* also WIPO Model Provisions 1996, *supra* note 3, at 6, note 1.02.

[20] *Cf.* SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 591, notes 113-114; ULLMANN, "Das Koordinatensystem des Rechts des unlauteren Wettbewerbs im Spannungsfeld von Europa und Deutschland," 2003 GRUR 820-821; BAUDENBACHER, "Machtbedingte Wettbewerbsstörungen als Unlauterkeitstatbestände," 1981 GRUR 19-29, 21-22; LÖWENHEIM, "Suggestivwerbung, unlauterer Wettbewerb, Wettbewerbsfreiheit und Verbraucherschutz," 1975 GRUR 99-110, 103-104; NORDEMANN, "Der verständige Durchschnittsgewerbetreibende," 1975 GRUR 625-631, 629-631; SACK, "Lauterer und leistungsgerechter Wettbewerb durch Wettbewerbsregeln," 1975 GRUR 297-307, 301-302.

[21] *Cf.* the WIPO study 1994, *supra* note 2, at 11-13, which, on the basis of the international framework, reflects considerations of this nature. Nevertheless, SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 582, argues that Art. 10*bis* PC codifies dogmatic approaches of the late 19th century. This argument, however, can hardly be considered compelling. The room for interpretation offered by international norms has always been used to adapt their application to actual problems and needs. Given the flexibility and openness of the wording of Art. 10*bis*, it seems unjustified to characterise the provision as outdated. As elaborated above, the latest change to the text of Art. 10*bis*, moreover, dates back to the 1958 Lisbon Conference and not to the late 19th century.

[22] *Cf.* ULMER, *supra* note 1, at 58-59; SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 592, note 116.

[23] *Cf.* SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 608, note 165.

[24] *Cf.* GLÖCKNER, in: HARTE & HENNING, *supra* note 6, at 47, note 2.

[25] *See* BODENHAUSEN, *supra* note 6, at 144; LADAS, *supra* note 6, at 1689.

[26] *See* "Actes de La Haye", *supra* note 10, at 472.

importance the Members of the Paris Union attached to explicit recognition of an unfair competition norm concerning confusion with respect to a competitor's establishment, goods or activities, even though the Paris Convention sets forth specific obligations ensuring protection of typical business and product identifiers, such as trademarks, service marks and trade names.[27]

As to the second example concerning the discrediting of a competitor's establishment, goods or activities, it seems noteworthy that, as mentioned above, a proposal by Germany seeking to prohibit certain forms of comparative advertising was not accepted at the 1934 London Conference.[28] In the absence of specific rules, a national solution can be developed along the lines of the second example in Art. 10*bis* (3) and the general clause of Art. 10*bis* (2). In view of developments in the field,[29] such as EC harmonisation initiatives,[30] this flexible international framework seems adequate. It leaves sufficient room for future developments – including a potential trend towards strengthening the influence of constitutional guarantees, such as freedom of commercial speech.[31]

The third example gives rise to the question of the objectives underlying protection against unfair competition in the Paris Convention. It can hardly be denied that Art. 10*bis*, as already indicated above, focuses on conduct between competitors.[32] Therefore, some argue that the provision is rendered incapable of reaching beyond this objective.[33] The insertion of the third example, dealing with the misleading of the public as to the nature or other characteristics of goods, however, testifies to a departure from the confinement to the interests of competitors at the 1958 Lisbon Conference.[34] It offers a gateway for lending weight to the protection of consumers.[35] As the examples in Art. 10*bis* (3) concern acts which, in particular, are to be regarded as acts of unfair competition,[36] they illustrate the scope of the general clause laid down in Art. 10*bis* (2). Accordingly, it appears consistent to interpret the general definition in Art. 10*bis* (2) not only in the light of the objective to protect the interests of competitors (examples 1 and 2 of Art. 10*bis* (3)), but also with a view to ensuring consumer protection (example 3).

The catalogue of acts listed in Art. 10*bis* (3) does not cover all cases which seem to be of importance. The misappropriation of trade secrets[37] and acts of free riding, such as dilution and slavish imitation, feature prominently among those cases not expressly mentioned in Art. 10*bis*.[38] With regard to the guarantee of appropriate legal remedies under Art. 10*ter* (1), it appears moreover desirable to permit

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[27] *See* "Actes de La Haye", *supra* note 10, at 476; LADAS, *supra* note 6, at 1706-1707. *Cf.* Art. 1 (2) PC. With regard to the interplay of specific intellectual property rights and supplementary protection against unfair competition, *see* SAMBUC, in: HARTE & HENNING, *supra* note 6, at 408-413. As to trademarks, *see* NÍ SHÚILLEABHÁIN, "Common-Law Protection of Trade Marks – The Continuing Relevance of the Law of Passing Off," 34 IIC 722-750 (2003); BORNKAMM, "Markenrecht und wettbewerblicher Kennzeichenschutz – Zur Vorrangthese der Rechtsprechung," 2005 GRUR 97-102. Art. 10*bis* (3) (1) need not necessarily lead to supplementary protection of specific industrial property rights. The international obligation to protect service marks and trade names resulting from Arts. 6*sexies* and 8 PC may be *fulfilled* through appropriate protection against unfair competition. *See* BODENHAUSEN, *supra* note 6, at 122 and 133. As to service marks, however, Art. 16 of the 1994 Trademark Law Treaty sets forth the obligation to "register service marks and apply to such marks the provisions of the Paris Convention which concern trademarks". In respect of the specific situation in the field of geographical indications, *cf.* KNAAK, "The Protection of Geographical Indications According to the TRIPs Agreement," in: BEIER & SCHRICKER, *supra* note 5, at 117-140, 119-127; VROOM-CRAMER, "Juridische aspecten van geografische aanduidingen" 22-33 (Deventer 2002); INGERL & ROHNKE, "Markengesetz" 1904-1905 (2nd ed., Munich 2003); STATEN, "Geographical Indications Protection Under the TRIPS Agreement: Uniformity Not Extension," 87 Journal of the Patent and Trademark Office Society 221-245, 233-236 (2005).

[28] *See* "Actes de Londres", *supra* note 11, at 419. As to the German approach to comparative advertising, *cf.* STECKLER & BACHMANN, "Comparative Advertising in Germany with Regard to European Community Law," 19 E.I.P.R. 578-586 (1997); KÖHLER, in: KÖHLER & BORNKAMM, *supra* note 1, at 786-788.

[29] As to recent developments and the approaches taken on the basis of the different legal traditions of unfair competition law, *cf.* WIPO study 1994, *supra* note 2, at 60-64; CORNISH & LLEWELYN, "Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights" 632-635, 715-719 (5th ed., London 2003).

[30] *See* Directive 84/450/EEC of 10 September 1984 on misleading and comparative advertising, as amended by Directive 97/55/EC of 6 October 1997, and the decision of the European Court of Justice, April 8, 2003, Case No. C-44/01, 34 IIC 808-814 (2003) – *Pippig v. Harlauer*.

[31] *See* WIPO study 1994, *supra* note 2, at 47-48, para. 92; ULLMANN, *supra* note 20, at 819; OHLY, "Das neue UWG – Mehr Freiheit für den Wettbewerb?," 2004 GRUR 889-900, 892-894.

[32] *See* LADAS, *supra* note 6, at 1687.

[33] *See* the critical comments made by SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 582, note 84.

[34] *See* "Actes de Lisbonne", *supra* note 14, at 725, 784 (proposal by Austria), 106, 118, 725-727, 789-790, 852 (discussion and adoption). *Cf.* LADAS, *supra* note 6, at 1687.

[35] *Cf.* LADAS, *supra* note 6, at 1735.

[36] *See* BODENHAUSEN, *supra* note 6, at 143.

[37] *See*, however, Art. 39 of the 1994 TRIPS Agreement.

[38] For an overview of acts not expressly mentioned in Art. 10*bis*, *see* WIPO study 1994, *supra* note 2, at 48-68.

consumer organisations to take action against acts of unfair competition in the courts or before administrative authorities, as envisaged in Art. 10*ter* (2) in respect of federations and associations of industrialists, producers or merchants.[39]

3. The 1996 WIPO Model Provisions

On the basis of the described international framework, WIPO initiated a comparative analysis of worldwide protection against unfair competition in the 90s. In 1994, the WIPO study "Protection Against Unfair Competition – Analysis of the Present World Situation" was presented.[40] The study was based on a text produced by two staff members of the Max Planck Institute for Intellectual Property, Competition and Tax Law in Munich, *Frauke Henning-Bodewig* and *Heijo Ruijsenaars*. The final version of the publication took into account the advice of twelve experts from different countries.[41] The analysis yielded important reference material for law-making activities in countries seeking to modernise their domestic system of protection, and gave new impulses for further international harmonisation. Its publication was followed by the presentation of WIPO Model Provisions on Protection Against Unfair Competition in 1996.[42] In the following subsection, the Model Provisions and the preceding WIPO study will be discussed in the light of the analysis of the international framework for protection conducted in subsection II.2. Subsequently, the legal status of the Model Provisions will be clarified.

3.1 The Contents of the Model Provisions

The 1996 WIPO Model Provisions (WMP) seek to implement Art. 10*bis* of the Paris Convention.[43] On the one hand, they define the principal acts or practices against which protection is to be granted, namely the causing of confusion with respect to another's enterprise or its activities (Art. 2), the damaging of another's goodwill or reputation (Art. 3), the misleading of the public (Art. 4), the discrediting of another's enterprise or its activities (Art. 5) and, finally, unfair competition in respect of secret information (Art. 6). On the other hand, they provide for a general clause (Art. 1 (1)) which is intended to serve as a basis for protection against any other acts of unfair competition.[44] The system of the Model Provisions thus follows Art. 10*bis*. A general provision (Art. 10*bis* (2) PC and Art. 1 (1) WMP) is supplemented by the identification of certain acts which, in particular, must be prohibited (Art. 10*bis* (3) and Arts. 2 to 6 WMP). The higher number of expressly listed acts of unfair competition in the Model Provisions can be seen as an indication of the objective to further concretise individual instances in which to provide protection.[45] Before revisiting the catalogue of forbidden acts, however, some horizontal conceptual considerations are addressed.

The concept of honest practices which plays a decisive role in the context of Art. 10*bis* PC was maintained in the WIPO Model Provisions. Pursuant to the general clause of Art. 1 (1) (a) WMP, an act or practice "that is contrary to honest practices" constitutes an act of unfair competition.[46] The traditional formula, however, was embedded in a broader context. Whereas, in Art. 10*bis* (2), the

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[39] *Cf.* WIPO study 1994, *supra* note 2, at 74.

[40] WIPO publication No. 725, Geneva 1994.

[41] JOHN ADAMS, London; ERNESTO ARACAMA-ZORRAQUÍN, Buenos Aires; IVAN CHERPILLOD, Lausanne; GU MING, Beijing; DESMOND GUOBADIA, Lagos; FRAUKE HENNING-BODEWIG, Munich; BALDO KRESALJA, Lima; YOSHIHARU KUNOGI, Tokyo; KRISHNASWAMI PONNUSWAMI, Delhi; HEIJO RUIJSENAARS, Munich; IMRE VOROS, Budapest; GLEN WESTON, Naples, Florida.

[42] WIPO publication No. 832, Geneva 1996. The Model Provisions had been prepared by the International Bureau of WIPO in the light of the 1994 WIPO study. In the preparation of the Model Provisions, BERNARD DUTOIT, Lausanne; CHARLES GIELEN, Amsterdam; WILLIAM KEEFAUVER, New Vernon; and KAZUKO MATSUO, Tokyo, gave advice.

[43] *See* WIPO Model Provisions 1996, *supra* note 3, at 6, note 1.01.

[44] *See* WIPO Model Provisions 1996, *supra* note 3, at 6, note 1.01. Usually, a flexible, open clause or general principle which supplements more specific regulations and allows courts considerable discretion is also a core element of national protection systems. *Cf.* WIPO study 1994, *supra* note 2, at 20-22; MICKLITZ, *supra* note 4, at 13.

[45] *Cf.* GLÖCKNER, in: HARTE & HENNING, *supra* note 6, at 47.

[46] As to the difficulty of concretising the standard of honest practices in the light of the unfair acts and practices expressly listed in Arts. 2-6, *see* MICKLITZ, *supra* note 4, at 473. The view that a boundary line is to be drawn between the concept of honest practices and the specified acts considered unfair *per se* is not endorsed here. In fact, it seems more consistent to assume that the cases specified in Arts. 2-6 are examples of acts of unfair competition which, *evidently*, are contrary to honest practices. *Cf.* ULMER, *supra* note 1, at 250. For this reason, it is not necessary to give evidence of non-compliance with the standard of honest practices, as pointed out in WIPO Model Provisions 1996, *supra* note 3, at 10, note 1.07. The protection of trade secrets in Art. 6 (1), requiring additionally proof of conduct contrary to honest commercial practices, is an exception to this general rule which is rooted in Art. 39 (2) TRIPS.

standard of honest practices applies only to acts of competition, no such restriction is to be found in Art. 1 (1) (a) WMP. By contrast, it is clarified that "omission of the requirement that the act be an act of competition makes it clear that consumers also are protected".[47] The 1994 WIPO study heralded this broader approach. As described above, the aspect of consumer protection initially entered the picture when a third example dealing with the misleading of the public was incorporated into Art. 10*bis* (3) at the 1958 Lisbon Conference. The additional example suggests taking into account the interests of both competitors and consumers (see subsection II.2.). In this vein, the 1994 WIPO study identifies as a common aspect of the examples in Art. 10*bis* (3) "the attempt (by an entrepreneur) to succeed in competition without relying on his own achievements in terms of quality and price of his products and services, but rather by taking undue advantage of the work of another or by influencing consumer demand with false or misleading statements".[48] As to the purpose of protection, it states that "unfair competition law was initially designed to protect the honest businessman", and clarifies that, in the meantime, "consumer protection has been recognised as equally important".[49]

Art. 1 (1) (a) WMP realises this twofold objective of protection. As the Model Provisions serve the purpose to provide guidelines for the implementation of international obligations in the field of unfair competition, it can be understood to reflect a broad approach to Art. 10*bis* PC lending weight to the interests of competitors and consumers alike. Art. 1 (1) (b) WMP which concerns the entitlement to remedies was brought into line with this approach. The provision broadly refers to "any natural person or legal entity damaged or likely to be damaged by an act of unfair competition". Accordingly, remedies should be available not only to competitors and their federations, but also to consumers and consumer associations.[50] In this regard, the Model Provisions go beyond the scope of Art. 10*ter* (2) PC, as proposed above (see subsection II.2.).

The reference to acts of competition has not only been omitted in the general clause of Art. 1 (1) WMP but also throughout the catalogue of forbidden acts and practices. In consequence, Arts. 2 to 6 WMP are not restricted to relations between competitors. The requirement of a competitive relationship which, as described above, can be interpreted more or less restrictively in the context of Art. 10*bis*, was thus abandoned in the Model Provisions. They apply also in situations where there is no direct competition between the party who commits an act of unfair competition and the party whose interests are affected by the act.[51]

In Arts. 2 to 6 WMP, acts and practices against which protection is to be granted are delineated in the following way: while the first paragraph of these provisions provides a general definition of the act concerned, examples are given in the second paragraph.[52] The three cases enumerated in Art. 10*bis* (3) PC reappear in the Model Provisions and are further concretised in this way. In Art. 2 WMP which, like Art. 10*bis* (3) (1), concerns the causing of confusion, reference is not only made to typical business identifiers, such as marks and trade names, but also to the appearance and presentation of a product as well as marketing techniques using a celebrity or a well-known fictional character. In line with the approach taken in the 1994 WIPO study, the notes on the provision reflect a broad concept of confusion which extends to the causing of confusion as to affiliation or sponsorship. They confirm the objective to protect publicity and merchandising rights against confusing acts.[53] Art. 5 WMP corresponds to Art. 10*bis* (3) (2). As to discrediting acts, the examples given in its second paragraph refer particularly to advertising and promotion, and focus on allegations concerning certain characteristics of products or services, as well as sales conditions. It is moreover clarified that relevant acts of unfair competition may also be committed by consumer associations or the media.[54] The issue of misleading the public, constituting the third example of Art. 10*bis* (3), is addressed in Art. 4 WMP. Again, a broad approach is taken. The notes on the provision clarify that, besides inherently false

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[47] *See* WIPO Model Provisions 1996, *supra* note 3, at 10, note 1.06.

[48] *See* WIPO study 1994, *supra* note 2, at 24, para. 31.

[49] *See* WIPO study 1994, *supra* note 2, at 24, para. 33.

[50] *See* WIPO Model Provisions 1996, *supra* note 3, at 12, note 1.10. *Cf.* WIPO study 1994, *supra* note 2, at 74.

[51] *See* WIPO Model Provisions 1996, *supra* note 3, at 10, note 1.06.

[52] For a description of the regulatory potential of the cases listed in Arts. 2-6, *see* also MICKLITZ, *supra* note 4, at 474-478.

[53] *See* WIPO Model Provisions 1996, *supra* note 3, at 16 and 20, notes 2.04 and 2.11; WIPO study 1994, *supra* note 2, at 28-29. *Cf.* RUIJSENAARS, "The WIPO Report on Character Merchandising," 25 IIC 532 (1994), and the critical comments by JAFFEY, "Merchandising and the Law of Trade Marks," I.P.Q. 240-266 (1998).

[54] *See* WIPO Model Provisions 1996, *supra* note 3, at 44, note 5.05. Due to the reference to competitors in Art. 10*bis* (3) (2), it has been argued that the Paris Convention does not provide for protection against unfair press activities. *Cf.* MICKLITZ, *supra* note 4, at 468.

indications, literally correct statements as well as the omission of information are to be prohibited if they give a misleading impression. Obvious exaggerations in the course of "sales talk", by contrast, need not necessarily be qualified as misleading.[55] Like in Art. 5 WMP, the examples of the second paragraph refer to advertising and promotion activities. The list of characteristics of products or services contains additionally a reference to the geographical origin.[56] Art. 4 WMP, however, is silent on how to determine the impression on the addressee of a misleading statement. In this respect, the 1994 WIPO study points out that the Paris Convention left this question to Member States, and provides an overview of different approaches, such as a distinction between average and gullible consumers, and the determination of a misleading effect on the basis of empirical data or through an overall estimation by the judge.[57]

Besides the cases of unfair competition listed in Art. 10*bis* (3), the Model Provisions contain two additional categories of unfair acts. Pursuant to Art. 3 (1) WMP, "[a]ny act or practice, in the course of industrial or commercial activities, that damages, or is likely to damage, the goodwill or reputation of another's enterprise shall constitute an act of unfair competition, regardless of whether such act or practice causes confusion". The groundwork for this additional example was laid in the 1994 WIPO study which specifically devoted attention to acts of free riding and, in particular, discussed the dilution of the "distinctive quality or advertising value" of a mark.[58] The latter formulation reappears in Art. 3 (2) (b) WMP as the core element of a definition of dilution which also summarises examples of relevant acts listed in Art. 3 (2) (a) WMP. According to this definition, "dilution of goodwill or reputation means the lessening of the distinctive character or advertising value of a trademark, trade name or other business identifier, the appearance of a product or the presentation of products or services or of a celebrity or well-known fictional character". Art. 3 WMP thus provides for broad protection against free riding and dilution extending to the field of publicity and merchandising.[59]

The second additional example is laid down in Art. 6 WMP and deals with unfair competition in respect of secret information. The provision is based on Art. 39 TRIPS.[60] The definition of the term "secret information" in Art. 6 (3) WMP is identical to the definition of "undisclosed information" in Art. 39 (2) (a), (b) and (c) TRIPS. Similarly, Art. 6 (1) WMP paraphrases the general principle established in Art. 39 (2) TRIPS: "[a]ny act or practice, in the course of industrial or commercial activities, that results in the disclosure, acquisition or use by others of secret information without the consent of the person lawfully in control of that information […] and in a manner contrary to honest commercial practices shall constitute an act of unfair competition." The examples of relevant acts in Art. 6 (2) WMP refer to industrial or commercial espionage, breach of contract, breach of confidence and related acts. The Model Provisions do not provide guidelines as to the efforts the owner of information must make in order to keep it secret. In this respect, the 1994 WIPO study suggests considering whether the information contains material that is not confidential if looked at in isolation, whether it has necessarily to be acquired by employees if they are to work efficiently, and whether it is restricted to senior management.[61] With regard to former employees, the notes on Art. 6 WMP recall that a fine line has to be walked between the legitimate use of skills, knowledge and experience acquired during employment and the unfair disclosure or use of the former employer's secret information.[62]

In sum, the Model Provisions suggest to implement the standard for protection against unfair

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[55] *See* WIPO Model Provisions 1996, *supra* note 3, at 30, note 4.02.

[56] Information on this example and its interplay with special laws protecting geographical indications and appellations of origin is provided in WIPO Model Provisions 1996, *supra* note 3, at 38, note 4.11.

[57] *See* WIPO study 1994, *supra* note 2, at 39-40.

[58] *See* WIPO study 1994, *supra* note 2, at 54-58 and particularly para. 109.

[59] As to the dilution doctrine, *cf.* MOSTERT, "Famous and Well-Known Marks – an International Analysis" 56-68 (London/Dublin/Durban et al. 1997); FEZER, "Markenrecht" 840-844 (3rd ed., Munich 2001); STRASSER, "The Rational Basis of Trademark Protection Revisited: Putting the Dilution Doctrine into Context," 10 Fordham Intell. Prop., Media & Ent. L.J. 375-432 (2000); CASPARIE-KERDEL, "Dilution Disguised: Has the Concept of Trade Mark Dilution Made its Way into the Laws of Europe?," 23 E.I.P.R. 185-195 (2001); MOSKIN, "Victoria's Big Secret: Wither Dilution Under the Federal Dilution Act," 93 Trademark Reporter 842-859 (2004); MCCARTHY, "Dilution of a Trademark: European and United States Law Compared," 94 Trademark Reporter 1163-1181 (2004). With regard to the international recognition of protection against dilution in Art. 16 (3) TRIPS, *see* KUR, "TRIPs and Trademark Law," in: BEIER & SCHRICKER, *supra* note 5, at 93-116, 107-108; GERVAIS, "The TRIPS Agreement: Drafting History and Analysis" 174 (2nd ed., London 2003).

[60] *Cf.* KRASSER, "The Protection of Trade Secrets in the TRIPs Agreement," in: BEIER & SCHRICKER, *supra* note 5, at 217-225; LANG, "The Protection of Commercial Trade Secrets," 2003 E.I.P.R. 462-471.

[61] *See* WIPO study 1994, *supra* note 2, at 51, para. 99.

[62] *See* WIPO Model Provisions 1996, *supra* note 3, at 50, note 6.08.

competition on the basis of a liberal approach to Art. 10*bis* PC. Considering the questions left open in the Paris Convention, as identified in subsection II.2., it can be concluded that they demonstrate the adaptability of international unfair competition law to actual problems and needs. The inclusion of consumer protection, the departure from the requirement of a competitive relationship, the broad approach to confusing, discrediting and misleading acts and, finally, express mention of further cases of unfair competition, concerning dilution and trade secrets, testify to the aim of updating the traditional unfair competition principle of honest practices.[63]

3.2 The Legal Status of the Model Provisions

The objective to harmonise a given area of law internationally can be pursued in different ways. An international treaty, such as the Paris Convention for the Protection of Industrial Property or the Berne Convention for the Protection of Literary and Artistic Works, has the strongest legal effect. Its adoption necessitates the convening of a diplomatic conference. States and, in certain cases,[64] also international intergovernmental organisations can formally adhere to the treaty through ratification or accession. In consequence, they become bound to the obligations it contains and their nationals, and persons assimilated to nationals, may avail themselves of the rights it offers.

To accelerate the development of international common principles, so-called "soft law" instruments can be applied.[65] In recent years, WIPO followed this path in areas where a fast reaction to new developments was needed to prevent emerging differences in national approaches from becoming an obstacle to the development of international harmonised principles. In the field of trademark law, three so-called joint recommendations were presented and adopted by the Assembly of the Paris Union and the General Assembly of WIPO.[66] Accordingly, they have strong persuasive authority as an expression of an international consensus.[67] States and international intergovernmental organisations cannot ratify or accede to a joint recommendation. Their domestic legislation, however, may follow its principles and provisions. Moreover, courts may align their decisions with the joint recommendations.

The 1996 Model Provisions on Protection Against Unfair Competition constitute neither an international treaty nor a "soft law" instrument. They were presented by the International Bureau of WIPO but not formally adopted by any of the aforementioned bodies. As their title indicates, they are intended to serve as a model for law-making activities and a reference point for court decisions.[68] The practical consequences of the application of the Model Provisions may therefore be similar to the influence of joint recommendations, even though their legal status is not the same. On its merits, the Model Provisions seek to provide guidance. By presenting a convincing example of how to implement international obligations in the field of the protection against unfair competition appropriately, they contribute to the harmonisation of national approaches and promote the development of further international common principles.

4. Current Work of WIPO

Since the presentation of the WIPO study on Protection Against Unfair Competition in 1994, important

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[63] *See* GLÖCKNER, in: HARTE & HENNING, *supra* note 6, at 47. *Cf.* earlier proposals made by ULMER, *supra* note 1, at 242-243.

[64] *See*, for instance, Art. 17 (2) of the 1996 WIPO Copyright Treaty and Art. 26 (2) of the 1996 WIPO Performances and Phonograms Treaty; Art. 14 (1) (b) of the 1989 Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks; Art. 27 (1) (ii) of the 1999 Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs.

[65] As to their function and status in public international law, *see* HILGENBERG, "A Fresh Look at Soft Law," 1999 European Journal of International Law 499-516; THÜRER, "Soft Law" – eine neue Form von Völkerrecht?," 1985 Zeitschrift für Schweizerisches Recht 429-453; WENGLER, "Nichtrechtliche" Staatenverträge in der Sicht des Völkerrechts und des Verfassungsrechts," 1995 Juristenzeitung 21-26.

[66] *See* 1999 Joint Recommendation Concerning Provisions on the Protection of Well-Known Marks, WIPO publication No. 833, Geneva 2000; 2000 Joint Recommendation Concerning Trademark Licenses, WIPO publication No. 835, Geneva 2000; 2001 Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet, WIPO publication No. 845, Geneva 2001. The joint recommendations are made available on the Internet at <http://www.wipo.int/about-ip/en/development_iplaw/>.

[67] *Cf.* WICHARD, "The Joint Recommendation Concerning Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet," in: DREXL & KUR (eds.), "Intellectual Property and Private International Law" IIC Studies 257-264, 263 (Vol. 24, Oxford and Portland, Oregon 2005).

[68] *Cf.* MICKLITZ, *supra* note 4, at 472, who speaks of "an example for States who are obliged to provide protection against unfair competition under Art. 10*bis* of the Paris Convention or Art. 2 of the TRIPS Agreement".

developments have occurred. Considerable efforts to establish an efficient system of protection, for instance, have been made by European countries joining the European Community. Recent EC legislation on the subject, notably Directive 2005/29 of 11 May 2005, concerning unfair business-to-consumer commercial practices, aims to achieve a high level of consumer protection.[69] The recent amendment of the German law against unfair competition is an example of a shift in the general theoretical concept on which protection is based. Instead of relying on the concept of honest practices, the criterion of unfair activity for competition purposes was introduced.[70] Besides the protection of competitors and consumers, the public interest in undistorted competition is expressly recognised as one of the objectives of protection.[71]

These developments coincide with certain issues raised in the present analysis which indicate new directions in unfair competition law. Particular importance may be attached to the discussion of the core element of international protection, the concept of honest practices. It would appear necessary to explore the new connotations which the concept of honest practices receives when it is viewed from the perspective of the functional, market-based approach seeking to ensure the efficient operation of competition as a core instrument of market economies (see subsection II.2). In particular, it would have to be clarified whether resulting principles, such as personal responsibility for market actions, respect for the needs of other market participants, and regard for the equality of rights in the market, which were already mentioned above, can serve as a basis for the development of internationally accepted common principles.[72]

As regards the objectives of protection, the market-based functional interpretation of honest practices may lead to the consideration of a threefold approach. Like in recent German legislation, it may appear consistent to recognise, besides the protection of competitors and consumers, the public interest in the efficient functioning of competition – in the sense of a protection of the market participants' freedom of action and decision.[73] In this vein, the 1994 WIPO study already devoted attention to national approaches including "the protection of the public at large, and especially its interest in the freedom of competition."[74]

It is beyond the scope of the present article to discuss the practical implications these conceptual considerations may have. The time seems ripe, however, to embark on an update of the 1994 WIPO study on the protection against unfair competition in the light of recent developments. The theoretical considerations outlined above may serve as a starting point for the drafting of a revised text that should also consider the approaches taken in countries whose economies are in transition from a centrally planned to a market economy. Updated material on the protection against unfair competition responds to the present need for further guidance and support in this area. The experiences made in the new EC Member States are of particular importance in this context.[75]

Recent developments may also have the potential for bridging certain conceptual differences between civil law and common law jurisdictions. Approximations in certain fields, such as comparative advertising,[76] are to be considered. The influence of constitutional guarantees, such as freedom of

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[69] *See* Art. 1 of Directive 2005/29/EC of 11 May 2005 ("Unfair Commercial Practices Directive"). For an overview of its provisions, *see* HANDIG, "EG-Richtlinie gegen unlautere Geschäftspraktiken," 2005 Österreichische Blätter für gewerblichen Rechtsschutz und Urheberrecht 196-203; HENNING-BODEWIG, "Die Richtlinie 2005/29/EG über unlautere Geschäftspraktiken," 2005 GRUR Int. 629-634.

[70] This shift in the theoretical approach, however, does not necessarily imply changes in the substance of protection. *Cf.* SCHÜNEMANN, in: HARTE & HENNING, *supra* note 6, at 572-573. The official draft submitted by the government, accordingly, focused on continuity rather than a change of paradigm. *See* the official document of the German federal parliament, Bundestags-Drucksache 15/1487, 16.

[71] *See* HENNING-BODEWIG, "A New Act Against Unfair Competition in Germany," 36 IIC 421-432, 425-426 (2005); OHLY, *supra* note 31, at 894-896.

[72] *Cf.* the contribution of Reto Hilty to this publication and the guidelines of ULLMANN, *supra* note 20, at 821-824. As MICKLITZ, *supra* note 4, at 467 and 473, points out, a "world standard" in the field of protection against unfair competition does not exist. It remains to be seen whether an abstract functional approach, resting on universal requirements for a functioning market economy rather than depending on specific national circumstances, could pave the way for its development.

[73] *See* HENNING-BODEWIG, *supra* note 71, at 426. *Cf.* ULLMANN, *supra* note 20, at 821, who speaks of an additional safety net.

[74] *See* WIPO study 1994, *supra* note 2, at 24-25.

[75] *Cf.* HELM, "Intellectual Property in Transition Economies: Assessing the Latvian Experience," 14 Fordham Intell. Prop. Media & Ent. L.J. 119-215, 152-159 and 161-164 (2003); BAKARDJIEVA ENGELBREKT & HENNING-BODEWIG, in: HARTE & HENNING, *supra* note 6, at 197-200, 257-264, 290-298, 314-322, 331-344; HENNING-BODEWIG, "Unfair Competition Law – European Union and Member States" (The Hague 2006).

[76] However, *cf.* CORNISH & LLEWELYN, *supra* note 29, at 718-719, who emphasise the influence of different historical attitudes.

speech, constitutes an important issue to be addressed in this context.[77] Having expressly recognised the interests of consumers in the 1996 Model Provisions, it seems moreover desirable to follow up on the question in which way the objective of consumer protection is realised in different jurisdictions. Concepts of distinguishing between different types of consumers, such as average and gullible consumers, and different ways of determining the effect a certain act has on the consumer could be discussed in more detail.[78] In the field of law enforcement, the role played by consumer organisations should be analysed.

These few considerations which are necessarily of an incomplete and preliminary nature already indicate that an updated study reflecting the present world situation may bring to light further principles of protection against and examples of acts of unfair competition.

For an analysis of decisions of the European Court of Justice and the German Federal Supreme Court concerning comparative advertising, *see* KÖHLER, "Was ist vergleichende Werbung?," 2005 GRUR 273-280.

[77] A closer analysis of the influence of constitutional guarantees is not unlikely to trigger a much broader discussion going beyond the context of comparative advertising. *Cf.* TIMBERS & HUSTON, "The "Artistic Relevance Test" Just Became Relevant: the Increasing Strength of the First Amendment as a Defense to Trademark Infringement and Dilution," 93 Trademark Reporter 1278-1301 (2004); CANTWELL, "Confusion, Dilution and Speech: First Amendment Limitations on the Trademark Estate: An Update," 94 Trademark Reporter 547-584 (2004). In respect of the general tendency to have recourse to constitutional guarantees in order to achieve balanced results in intellectual property law, *see* GEIGER, "Fundamental Rights, a Safeguard for the Coherence of Intellectual Property Law?," 35 IIC 268-280 (2004).

[78] *Cf.* ULLMANN, *supra* note 20, at 818-819; DAVIS, "Locating the Average Consumer: His Judicial Origins, Intellectual Influences and Current Role in European Trade Mark Law," 2005 I.P.Q. 183-203.