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Unfair Competition and the Portuguese Industrial Property Code

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Carlos Costa e Silva y Mariana Ferreira, abogados del bufete Barrocas Sarmento Neves, contrastan y compararan en este artículo los principios de competencia desleal y los derechos de la propiedad industrial (PI) regulados por el código de propiedad industrial de Portugal. Argumentos relacionados con la relevancia de la competencia desleal en el marco de la ley de la propiedad intelectual han sido resueltos por la supresión de la autorización de revocación de un derecho de la PI registrado sobre la base de competencia desleal mediante un decreto-ley de julio 2008.

The Portuguese Industrial Property Code regulates both private industrial property rights and the principle of unfair competition. The difference between these private rights and unfair competition has been strengthened and safeguarded consistently over the years. Indeed, whereas IP rights cover the granting, substance, validity and infringement of private rights, the concept of unfair competition deals with conduct and actions which violate general rules and customary practices of honesty, which may harm the economy and market as a whole (not necessarily an individual or legal entity trading in the market).

The term "unfair competition" does not therefore relate specifically to competition or antitrust law but is generally understood to be a liability mechanism not necessarily related to the breach of IP rights but covers also advertisement, misuse of confidential information, misappropriation of goodwill, amongst other ways of misleading customers.

Nonetheless, a misconception has existed amongst legal commentators for some time, according to which parties violating private IP rights should be sanctioned under the provisions regulating unfair competition.

Moreover, up until the recent reform of the Portuguese Industrial Property Code in July 2008, this legislation still provided that trademark registrations could be annulled if and when the owner of that registration engaged in or could potentially engage in unfair competition whether intentionally or not.

In Portugal, the concept of unfair competition has been developed in a way which sanctions unfair competitive behaviour contrary to common practice in commerce and covers conduct causing economic injury to the market as a whole through a deceptive or wrongful business practice.

To be characterised as unfair competition, an act must be distinguished from other specific acts prohibited by law (eg, patent or trademark infringement), but the two actions are not incompatible if distinct facts exist. In certain conditions, a legal action against an act of unfair competition can also afford protection to those that cannot assert IP rights under a patent, design, trademark or copyright.

For these reasons much controversy and legal debate has taken place on whether unfair competition correctly belongs in the domain of IP law.

It is argued that this legal principle falls within the legal framework of the Industrial Property Code and is therefore an intrinsic part of IP law. Secondly, it is said that unfair competition conduct relates to IP Rights given that its subjects are usually registered owners of trademarks or other IP rights. Others take the view that we are dealing with two distinct areas of law.

As stated above, the provision regarding the grounds for annulment of trademark registrations, by including unfair competition as one of the grounds has inevitably added to this confusion and uncertainty.

Indeed, it has been argued that unfair competition should only be a reaction against conduct resulting in unfair competition and not a form of extinguishing certain trademark registrations, particularly since the unfair competition rules operate by imposing fines.

Fortunately, and as stated above, the provisions of the Industrial Property Code permitting the annulment of a registered IP right on the basis of unfair competition were revoked in July 2008.

This means that currently, unfair competition can only be relied upon as a ground for a refusal to register IP rights and not the annulment of existing ones, although it may still be auctioned against conduct which violates general rules and customary practices of honesty which may harm the economy and market.

This latest reform of the Industrial Property Code has been welcomed by legal commentators and practitioners alike and it is expected that the difference between these two areas – IP Rights and unfair competition – will become clearer.

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