4.1 COMPARATIVE ADVERTISING AND TRADEMARK LAW IN OTHER COUNTRIES: AN OVERVIEW

Similar to the Indian legislation, jurisdictions in European Union and U.S.A. also permit comparative advertising, as in these countries it is considered that comparative advertising help educating the consumers with information about all similar products through a swift comparison assist in making rational decision motivates competition, and helps prevent monopolies. A recent examination of the content of television advertisements in United States of America\(^1\) reveals that 60% content consists of indirect comparative claims, 30% had direct comparative claims and 10% contained no comparative claims. This survey also reveals that 59% thought it to be very effective, 12% believed it was good and 22% did not consider it beneficial. Another analysis\(^2\) shows that comparative advertising currently makes up approximately half of all advertising in Britain, Spain and Austria. Conversely, only twenty-six advertisements were considered to be a form of comparative advertising in France in 2010-11. On the other hand, several countries, notably Germany, the Benelux countries, Italy, China and South Africa nurture the anti-comparative advertising intellectual property law.

In this chapter, we shall discuss the legislations in the United States of America and in the European Union at length, and then shall briefly outline the position in other countries so as to comprehend how the subject is treated by countries that favour comparative advertising and those which do not. Finally we shall take up judicial cases which are strikingly similar in facts but different in the verdict. The careful analysis of the jurisdictions held on resembling cases in this matter in the US, UK and European Union

\(^1\)https://aytm.com/...survey/...Comparative Advertising pattern in Americans....The results were posted on May 9, 2012 by Anne Pilon via AYTM’s online survey panel

provides an opportune moment to understand the interpretations of the law taken up in similar case by different countries.

The trademark laws and its enforcement in the United States and European Union adhere to certain common fundamental parameters based on the Paris Convention for the Protection of Industrial Property and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement); as both have been parties to these. Yet if we make a comparison of the jurisdiction done by their courts on similar cases a distinctive divergence between their interpretations of law is explicit. For this reason, we shall discuss the strikingly similar case of L’Oréal v. Bellure in EU court with the Smith v. Chanel case in the US Ninth Circuit Court of Appeals. Both the cases resemble factually but the ruling by the courts reveal the discrepancy in the understanding and interpretation of the relation between comparative advertising law and trademark law. The deviations can be attributed to cultural and policy matters which create such jurisdictions, yet it is clear from the swerve developments that these differences occur due to basic difference in the interpretation of these laws. Further, on conducting a deeper study of the similar cases in UK when referred to the European Union and those compared to in US, we reason out how two cases based on identical facts and each abiding international obligations, can still have contradictory verdicts. We find that an insightful comprehension of the foundations of these laws, as well as the values they protect, is important for the understanding of their interpretations. Therefore, an extensive study on this matter has been done that help in construal of these variations and subsequent developments and will illuminate the causes for their emergence and assist in foresee the directions future laws may take.
4.1.1 The United States Of America

The US, being a herald of free-market and competitive economy supports liberal regulation in the context of comparative advertising. Their system of law supports and encourages the comparison of products or services of competing brands provided the bases for comparison are clearly identified. Under their statutory framework, the disparagement or denigration of competitor’s brand in a competitive advertisement shall face no legal action if such comparison is truthful and is not explicitly or implicitly misleading. The judicial and legislative authorities, as well as administrative agencies, in the area of advertising law do not restrict comparison between dissimilar products or goods.

The definition of Comparative Advertising in the United States\(^3\) is-

“A marketing tool or advertising campaign which compares the attributes, qualities or price objectively or identifies the alternative brands by their name, trademarks, design, graphic or any other distinctive information.”

4.1.1.1 Statutory Framework

A combination of statutory framework at federal, state and local level and certain self-regulatory codes of conduct govern and regulate the laws for unfair comparative advertising in the United States. The self-regulatory enactments are:-

- The Lanham Act (Section 43(a))
- The Federal Trade Commission Act (Title 15 U.S.C., Ch.2-FTC Act)

Other bodies like Food and Drug Administration (FDA) are the authority to regulate those advertising claims which are made to industry specific products.

\(^3\)Statement of Policy Regarding Comparative Advertising, 16 C.F.R. §14.15 (b) 2012
The Lanham Act

In 1946, the Congress passed this act primarily to safeguard the trademark owners from the unauthorized uses of their trademarks, which created confusion in the consumers regarding the source or ownership of goods or services available in the market. Even after the Enactment of the Lanham Act (Federal trademark Act 1946), it took a long time and several judicial cases to in fact formalize a “comprehensive set of remedies” for comparative advertising claims made.

The standards of comparative advertising as per the Lanham Act were laid in the case of Smith v. Chanel. The manufacturer of perfume Ta’Ron’s, the defendant in this case, launched a low priced perfume “2nd Chance” and attracted the buyers through an advertisement in which he asked them to detect the difference between his and plaintiff’s perfume “Channel No.5”. At the preliminary stage, an injunction was granted by the district court forbidding the defendant to provide any reference of the competitor’s product (Channel No.5) in his advertisement (2nd Chance). Later the Court of Appeals for the Ninth Circuit observed that in the benefit of the consumers, comparative advertising must be permitted as it helps the consumers in making rational purchase decisions. Thus under this act comparative advertising is allowed as long as the advertisement is not deceptive, misleading or ambiguous leading to confusion among consumers.

The Lanham Act, which is a major trademark protective law, makes it clear that if one tries to dupe the consumers by stating misleading information through a comparative advertisement i.e. the comparison is deceptive and found untrue or that it has an intention to deceive the masses by the implied message, one shall incur liabilities.
The Lanham Act, which sets out federal protection and registration standards for trademarks and is codified in Title 15, forbids ‘false designations of origin, false descriptions, and dilution. Title 15 specifically prohibits ‘unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or affecting commerce.’ It also prohibits false advertising.’ Prior to the FTC’s codification of US comparative advertising law, claimants often relied upon the Lanham Act for relief.

In general, by establishing that the comparison dine is false on its face or is intended to misguide and confuse the customer, a plaintiff can establish a false advertising claim under the Lanham Act, 15 U.S.C. 1125 (a). The damages that may be recovered under this Act [15 USC 1117 (a) for false advertising includes the defendant’s profits, the plaintiff’s actual damages and the cost of the action.

Comparative advertising is dealt with in Section 43(a) of the United States Trade Mark Act, known as the Lanham Act. In applying the provisions of this Section the American court in the American Home Care Products case said that the test is whether:

- The Defendant had made false or misleading statements as to his own product (or another’s);
- There was actual deception or at least a tendency to deceive a substantial portion of the intended audience;
- The deception is material in that it is likely to influence purchasing decisions;
- The advertised goods travelled interstate in commerce; and
- There is a likelihood of injury to the plaintiff in terms of declining sales, loss of goodwill and so on.
The FTC Act

The principal federal agency, the Federal Trade Commission, is in charge to regulate public advertisements as prescribed under rules of FTC Act, investigate the suspected violation cases of the FTC Act, file lawsuits against companies, which conducts illegal activities and treat comparative advertising claims.

The FTC evaluates comparative advertising on the same grounds as it evaluates all other advertisements and thus does not requires a high standard of proof for substantiating comparative claims. Consequently, advertisements if based on facts and those, which do not express or imply deceptiveness are permissible even if they attack, discredit or otherwise criticize another product.

An advertisement is considered to be deceptive by FTC on the grounds that:

- It comprises of a representation, faux pas or practice that can mislead the consumer.
- It comprises of a representation, faux pas or practice that is likely to affect the consumer’s choice or decision towards a product or service.
- The representation made in the advertisement is not on a reasonable basis or substantiation.

The FTC encourages comparative advertising as it considers it beneficial to the consumers to the extent the comparisons done in advertising are “obviously stated, straightforward, ingenuous, honest and non-deceptive”. The FTC’s stated viewpoint was that such advertising offers important information to consumers and promotes product improvement and innovation.
In the open competitive market, it is all about price, choice and service facilities. The FTC ensures open and free market by enforcing the law and challenging all such business practices that could harm consumers thereby ensuring that the standard of the products are high, makes a large number of options available and set the prices low and innovation is encouraged.

**The Federal Dilution Act**

In 1988, modifications in the Lanham Act were carried out through the Trademark Revision Act, and steps were initiated to introduce a federal trademark dilution cause of action in the United States. The people in media and broadcasting field and their supporters considered it as a threat to their right to freedom of speech and protested against it. This led to an amendment in the Federal Trademark Act to exclude the noncommercial use of a mark and its fair use in Comparative Advertising. This laid the foundation of the famous dilution theory that came into existence in January 1996.

Federal Dilution Act provides a cause of action to the trademark owner against subsequent illegal and unauthorized use of their trademark that may smear their distinctiveness or disparage & tarnish their reputation. Conventionally the dilution of a trademark happens by blurring or disparaging

The Federal Trademark Dilution Act (FTDA) protects a trademark proprietor’s rights of a “renowned/famous” trademark even when there is no consumer confusion. The Federal Trademark Dilution Act of 1995 expanded the scope of rights granted to famous and distinctive trademarks under the Lanham Act. Dilution differs from normal trademark infringement in that there is no need to prove a likelihood of confusion to protect a mark. Instead, it is required to prove that use of a "famous" mark by a third party causes the dilution of the "distinctive quality" of the mark. According to the terms of the Act, courts shall determine whether a mark can be considered as “famous” by pondering on the following factors:
1. The duration and extent of use of the mark;
2. The duration and extent of advertising for the mark;
3. The geographic area in which the mark has been used;
4. The degree of distinctiveness of the mark (either through the nature of the mark itself, or through acquired distinctiveness);
5. The degree of recognition of the mark;
6. The method by which the product was distributed and marketed;
7. The use of the mark by third parties; and
8. Whether the mark was registered or not?

Normally a causes of action for dilution is sought when the use of the mark by a party other than trademark holder causes either

- "Blurring", by which the association of trademark between the holder and his goods is weakened in the mind of consumers; or
- "Tarnishment", in which the mark is used by a party other then trademark holder in connection with inferior products or is its use is unsavory or unwholesome.

As per the FTDA, in most cases, the only remedy available to the owner of a famous distinctive mark is an injunction against further dilution. However, lawyer’s fees and monetary damages can be sought for if the plaintiff can prove that the defendant had intentionally done it i.e. tried to "trade on the owner's reputation or to cause dilution of the mark".

The dilution provision tilts the balance more towards rights holders, but the exception for comparative advertising focuses the emphasis back on the consumer: a third party’s use “in connection with advertising or promotion that permits consumers to compare goods or services” is not actionable as
dilution. Use of even a famous mark for the purposes of comparative advertising is specifically designated as fair.

4.1.1.2 Summarization

Belinda Mills\(^4\) summarizes the position in America as follows:

"The courts will prevent the use of a competitor’s trade mark in an (indirect comparison) or (direct comparison) advertisement if it is deceptive or gives rise to a likelihood of confusion as to the origin or source of the brand being advertised. If, however, the advertiser clearly distinguishes its own brand from that of the competitor and the comments made are truthful and honest, then it is permissible to refer to a registered trade mark either to associate or differentiate brands."

In the US, comparative advertising laws build up mainly from judicial interpretations of certain aspects of trademark law. Following cases help to understand the judicial approaches to comparative advertising claims involving trademark use in US. The cases discussed range from the era prior to Lanham Act and one from recent times.

(1) In 1910 a case came to the Supreme Court of USA, in which a seller of mineral water used the trademarks of his competitor in an advertisement conveying the message to the public that the water he was marketing was same in content to the ‘trademarked’ water. The Supreme Court upheld the rights of this seller.\(^5\)

(2) In a case in 2005, a perfume named “Obsession” was advertised as “our version of Obsession,”\(^6\) in which the trademarks

\(^4\)Belinda Mills,“Comparative Advertising:Should it be allowed?”, EIPR, 1995, 17(9) 417-430
\(^5\)Saxlehner vs Wagner, 216 U.S. 375 (1910)
\(^6\)Calvin Klien Cosmetics Corp. vs Lenox Laboratories, Inc., 815 F 2d 500 (Eighth Circuit 2005)
of a competitor were imitated. The Eighth Circuit did not issue an injunction against an imitator’s use of the trademark quoting “the strong public interest in the lowest possible prices” as well as “the interest in avoiding monopolies and in encouraging, not stifling, competition.

Thus from the study we can summarize that in the US, the objective that has been steering the government’s attitude towards business is to maximize the welfare of consumers and to encourage free and competitive economy. As a result of which, comparative advertising which is truthful and not misleading but using a competitor’s trademark to describe a legal imitation, is being allowed legally. Of Course, certain boundaries are drawn on what is acceptable.

4.1.2 The European Union

The scope for Comparative Advertising is narrower in European Union as compared to United States. The European Commission came up with its directives of Comparative Advertising in October 1994. According to the guidelines the Comparative Advertising must be fair, should not be deceptive, misleading and disparaging or denigrating the trademarks or products of another brand. The EU bans the comparison between unlike goods.

Initially the member states of EU did not welcome the idea of Comparative Advertising, but after the formation of EC legislature, Comparative Advertising has been accepted as a legitimate tool of furnishing product awareness among the consumers. The Council of December 2006 concerning Misleading and Comparative Advertising and the Directive 2006/114/EC of the European Parliament establishes the definition of Comparative Advertising as:
“Any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor.”

4.1.2.1 Councils Directives Regarding Comparative Advertising:

The intention of European Directive on Comparative Advertising is to encourage “fair” Comparative Advertising between rival brands; where in the word ‘fair’ implies that: “the comparison must not be deceptive or misleading the customer should also not injure the reputation of competitor’s brand or disparage the competitor’s trademark.”. The important point is that the directives do not permit the comparison to hold out the products as imitation of the registered trademark products. An advertisement cannot take unfair advantage of the goodwill or reputation of that trademark.

It is obligatory for all member nations of the EU to make their national laws abide (conformity) with the Directives. The use of Comparative Advertising in each member nation has to be permitted under certain very stringent conditions that are:-

- Comparative Advertising is permitted if the comparison is:
  - Objective
  - Relevant
  - Verifiable
  - Compares fairly chosen representative features only.

- Comparative Advertising should not:
  - Mislead
  - Create Confusion
  - disparage or denigrate the products or trademarks of competitors’
  - refer to personalities
  - refer to personal characteristics
  - Capitalize on goodwill of the trademark of the competitor.

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7Directives 2006/114/EC, OJ L 376 at22, article 2(c).
The sources of EU Laws are

- Treaties that form EU (all member nations signing it). So EU nations derive authority from these.
- Regulation and directives promulgated by them.

The regulations within a nation are a part of the national laws and are binding on the particular nation but the EU directives are not mandatory. They are basically the goals to be reached and it is obligatory for the member nations to draft their national legislations so as to reach such goals. The EU rules are directives and not a regulation. The uniform general principles lay down by them help in harmonizing the use of Comparative Advertising in EU number states. Two systems exist side by side, the national laws and the EU laws. The EU member state is not mandatory to follow it verbatim but they allow the member state to choose the most appreciate from to attain their objectives mentioned in their national laws.

Both EU and US laws on Comparative Advertising are only (essential) supplement to prior existing laws on misleading Advertisement. The Commercial practices of Business to Customer (B2C) were governed by Unfair Commercial Practices. In 2005 the Comparative Advertising directives were adopted to regulate misleading advertising. It is important to note that the claims made regarding illegal unfair Comparative Advertising also contained the claims related to misleading advertisement that is the provisions of both the directives are implicated.

Article 3(a) of the Council Directives deals with Comparative advertising which permits comparisons if the following conditions are met:

a) "it is not misleading according to Articles 2(2), 3 and 7."
b) it compares goods or services meeting the same needs or intended for the same purpose;

c) it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;

d) it does not create confusion in the market place between the advertiser and a competitor or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor;

e) It does not discredit or denigrate the trademarks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor;

f) for products with designation of origin, it relates in each case to products with the same designation;

g) it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor of the designation of origin of competing products;

h) It does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

Art. 2(2) reads as: ‘misleading advertising’ means any advertising which in any way including its presentation, deceives or is likely to deceive the persons to whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behaviour or which, for those reasons, injures or is likely to injure a competitor.

Art. 3: in determining whether advertising is misleading, account shall be taken of all its featured, and in particular of any information it contains concerning:
• the characteristics of goods or services, such as their availability, nature, execution, composition, method and date of manufacture or provision, fitness for purpose, uses, quantity, specification, geographical or commercial origin or the results to be expected from their use, or the results and material features of tests of checks carried out on the goods or services.
• the price or the manner in which the price is calculated, and the conditions on which the goods are supplied or the services provided;
• the nature, attributes and rights of the advertiser, such as his identity and assets, his qualifications and ownership of industrial, commercial or intellectual property rights or his awards and distinctions.

Art. 7: This Directive shall not preclude Member States from retaining or adopting provisions with a view to ensuring more extensive protection for consumers, persons carrying on a trade, business, craft or profession, and the general public.

The trademark law in EU is directly contained in Comparative Advertising laws. In paragraph, 13-15 of CA directives it is mentioned that although the trademark holder has the rights to prevent third parties from using its trademarks on similar products yet comparative advertising is effective only when a competitor’s products or services are identified. This reflects the objectives of their policy.
The laws governing trademarks in the EU has its origin in the following three,
• The Trademark Directives
• The Community Trademark Regulation
• ECJ case laws
4.1.2.2 Trademark Directives

It harmonizes national trademark laws. These directives were created as a follow up of the internal market provision treaties of EU member states. According to it the role of registered Trademark is in particular to guarantee the Trademark as an indication of origin or source of the product. Keeling points out the detailed functions of a trademark as per EU laws. Further the EU legislation also grants protection to the trademarks with reputation or the “famous’ trademarks. Article 5(2) of TMD of EU legislation contains the dilution aspect through which it grants protection to a reputed or “famous” trademark by allowing its member states to give the trademark owner the right to prevent anyone else using any identical or similar sign in the course of trade. It is therefore essentially an antidilution provision. Here the scope of protection is much broader as its provision permit an owner of a mark with reputation to trigger his rights even when the products or services for which the trademarks have been used are not identical. That is for a mark with a reputation, the goods & services compared need not be similar even. If an unauthorized use does not intrude upon a trademarks function, it cannot be legally prevented, but by expanding the range of protection, it essentially widens the functions of trademark.

4.1.2.3 Community Trademark Regulation

These are the rules set up to provide a system of trademarks for the centralized European Community, in contradiction to granting of trademarks individually by each member state. The rules laid down are quite similar to those laid down by EU directives. Besides these rules, it also has certain procedural & administrative rules. However, it does not replace the existing laws on trademark in the member nations.

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Thus we can summarize that two systems coexists in EU member states: the laws of that member state and the EU laws, which include the CTM also. Our research work focuses on ECJ case laws and Trademark directives.

4.1.2.3 The ECJ Case Law

The EC Judicial pronouncements reflect that they have taken into consideration various functions of the trademark: it providing us not only the source of the products but also the goodwill, quality & priority aspect attached to it. The initial ECJ verdicts viewed the function of trademarks narrowly and gave priority & importance to interest protected by other rights of industrial and commercial property than to interest protected by trademark. However, after the implementation of TMD the subsequent case decisions display a shift in approach to Trademark protection. The emphasis to a TM proprietor’s right to protection is demonstrated in the noting of Advocate General of ECJ in 1990 as written below 9:

“Trademark reward the manufacturer who consistently produce high quality goods”.

In 1997 the ECJ, essentially acknowledged the advertising function of Trademarks in the case of Perfumes Christian Dior SA v/s Evora BV, case - 337/95, where Dior wanted an injunction to the use of its trademarks for advertising purpose by a reseller. In this case, the ECJ held that the trademark owner must be allowed to prevent advertising which may turn out to be detrimental to the goodwill of his trademarks. The court considered to include protection of investment in advertising/promotion as a function of trademarks.

Further in 1999 in the BMW v/s Deenik case C-63/9710 the ECJ granted an injunction because it considered that the mark was used to create

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9 http://europa.eu/about-eu/institutions.bodies/courtjustice/index_en.htm
Advocate Generals opinions on the cases brought before the ECJ, which is not obligated to follow them.
false impression of holding a commercial connection between the TM’s proprietor and the third party user. In this case, the third party user claimed that it had used the trademarks to bring public awareness regarding repairs and maintenance of the product associated with the TM. But the ECJ held that although a trademark owner cannot stop use of its trademarks by another but exception will be made in case the mark is used for creating false impression.

In tune with this reasoning, the ECJ in Gillete v/s LA Laboratories\textsuperscript{11}, case C-228/03(2005) clarified that a third party can use another’s mark if such use is the only way to provide awareness among the public indicates the intended purpose of a product marketed by the third party.

From the analysis of these cases, it is clear that the ECJ has been reiterating the trademark proprietor power to restrict certain form of advertising and acknowledges:

- The consumers right to information; and
- A trader’s right to impart that information

This is what lays the foundation for ECJ comparative advertising cases.

Through Toshiba Europe GmbH v/s Katun Germany GmbH Case C-112/99 (2001) the ECJ made the use of another proprietor’s trademark legitimate if it was used to inform the consumers about the nature of the products or the intended purpose of services offered. In this case\textsuperscript{12} Katun had published Toshiba’s product numbers in its catalogue so as to make it easier for the customers to identify which spare part made by Katun could be used in which Toshiba’s product.

\textsuperscript{11}Case C-228/03, Gillete v/s LA Laboratories, [2005]ECR I- 2337, para. 39.

In yet another case Siemens AG v/s VIPA, case C-59/05 (2006), the ECJ declared that if effective competition requires a reference to trade marks than an advertiser cannot be regarded as taking advantage of the reputation of such marks.

In the famous case of O2 Holdings Limited vs Hutchinson 3G UK Limited, Case C-533/06 (2008), the ECJ held that if a comparative advertisement satisfies all the prerequisites of the Comparative Advertising Directives, then the trademark owner cannot prevent the third party to use marks similar to (or identical with) his registered trademarks in that commercial advertisement.

### 4.1.3 United Kingdom

In the present time, in UK there is a relatively liberal regime, which encourages comparative advertising. This approach was reflected by the European Standing Committee of the UK Parliament in a debate on the issue of comparative advertising in November 1995 where it opined that this type of advertising as “a legitimate, useful and effective marketing tool that stimulates competition and informs the consumers”. Currently, the British Trade Marks Act established in October 1994 regulates this matter.

The Section 4(1) (b) of the Trademarks Act, 1938, prior to the current act, prevented the use of trademarks in comparative Advertising. This has been replaced by Section 10 (6) of the current Act which has changed the approach drastically. According to this section the use of registered trademark by a third party for the purposes of identifying the products of the

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13 Case C-59/05 Siemens AG v/s VIPA,[2006] ECR- I-87945, para 47.
trademark right holder does not constitutes infringement of trademarks. That is the prohibition to use the registered trademarks in comparative advertising is removed by this section of the Act\textsuperscript{15}. However, certain conditions have been laid down for such usages. The Act clearly states that:

"such use otherwise than in accordance with honest practices in industrial or commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark."

Another relevant change is Section 11(2), which permits fair comparisons of goods, for example, indications of quality or price.

The fact is that a significant portion of intellectual property jurisprudence in India is derived from English law, and the Indian judiciary has also taken a leaf or two out of the UK courts. The English Courts have applied the law in a manner whereby the regulation of comparative advertising is such that the interest of the consumer is not completely eclipsed. The landmark case of \textit{O2 Holdings Ltd. and Others v. Hutchison 3G Ltd.} introduced a new defense to trade mark infringement under the Comparative Advertising Directive. The case shall be dealt with in subsequent article. Here we lay a brief outline.

The petitioners, a leading provider of mobile telecommunication services in the United Kingdom, had been using imagery including bubbles

\textsuperscript{15}The primary objective of section 10(6) is to permit comparative advertising, as stated clearly by Laddie J in Barclays Bank v. RBS Advanta. Since the TMA 1994 came into force, there have been a number of decisions under section 10(6). These include Barclays v. RBS Advanta, Vodafone v. Orange, British Telecommunications v. AT&T. Barclays, BT, Macmillan Magazines was an application for interlocutory injunction and Vodafone was a trial. It is interesting to note that in all of these cases the plaintiff was unsuccessful, with judgments being firmly in favour of comparative advertising in general.
(which formed a part of its identity) in its advertisements since 2002 and had spent £320 million on advertising and promotion. The respondents, a rival company that had launched a new service under the name “ThreePay”, advertised with a stream of bubbles in black and white and information about O2’s prices and services. Even though the Judge accepted the claim by them that the bubbles in the respondent’s advertisement was similar to O2’s bubble and that it could have caused confusion, the respondents took the defense under the Comparative Advertising Directive; which lays down conditions for acceptable comparative advertising:

1. Must not be misleading;
2. Must compare goods or services meeting the same needs or intended for the same purpose;
3. Must objectively compare one or more material, relevant, verifiable and representative features;
4. Must not create confusion, discredit or denigrate the competitor or its trademarks;
5. Must not take unfair advantage of the reputation of the competitor’s trade mark; and
6. Must not present goods or services as imitations or replicas of goods or services of the competitor trade mark owner.

The Judge held that an advertisement must comply with the Directive in order to avoid trademark infringement. Hence the suit for trademark infringement failed.

An extension to this line of thought brings up a more fundamental question of whether the truth, in any form, disparaging or otherwise, ought or ought not to be suppressed. Stripping it down to the basics, advertising is for the consumers’ benefit. For instance the landmark English case of Cable &
The defendants issued an advertisement brochure comparing the prices of its telephone services with those of the plaintiff. The court refused the injunction because the information which the defendant advertised was not false. Similar rulings have been given in numerous English cases, all indicating that as long as the comparison is honest then it should be allowed irrespective of it being disparaging or not.

### 4.1.4 France

Mainly used by large-scale distributors and more and more by pure players, comparative advertising is not widespread in France since it has often been struck down as non-objective or disloyal. The courts have verified that the comparison relates to goods or services which are truly substitutable and that the advertiser did not discredit or denigrate its competitor or take unfair advantage of its reputation. The French Supreme Court (Cour de Cassation) has recently taken position in this regard in the Bodum France and Nespresso Case.

With the stated objectives of fostering competition and improving transparency, France has since 1986 recognized the validity of comparative advertising. However, this type of advertising, comparing goods or services with those of an explicitly or implicitly identified competitor, is legal if and only if:

- It is not false or likely to mislead;
- It relates to goods or services fulfilling the same needs or having the same objective and;

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17 Bodum France vs Nespresso, Cour de Cassation, Chambre Commerciale, 2012, pourvoi n°11-21.266
• It objectively compares one or more essential, pertinent, verifiable and representative characteristics of these goods or services, one of which may be price.

4.1.5 China

“While advertising in China one needs to be careful in designing, creating and releasing an aggressive ad campaign as these which might perform success-fully in other countries can be penalized here”.

The law governing Comparative Advertising in China is not as liberal as those of the US, EU, UK and India. The statutory framework here is a total contrast to that of India.

Although there are no clear laws governing comparative advertising, yet various related legal provisions to decide when a comparative advertising constitutes product disparagement and trademark infringement provide the standards the legislature and judiciary look up to. One such related legal provision stems from the Unfair Competition Law. Any Comparative advertising needs to follow the provisions laid by Unfair Competition Law, according to which the market operators should do the following while designing, producing or releasing an comparative ad campaign:-

• Observe the general business ethics to base the comparison on principles of equality, fairness, honesty and creditability.
• As per the Article 9.1, they should not put an advertisement that gives deceptive or misleading information on the quality, composition, performance, application, operating life, source etc. about the product /good/ commodity /service.
As per Article 9.2, they should not make those advertisements where it is obvious that such ads are fake and bogus.

They should not spread or articulate falsehood in the comparison.

As per Article 14 the mendacity to damage and derogate the goodwill of product or reputation of the competitor is illicit.

Thus we see that there is a explicit prohibition of comparative advertising which caters product disparagement or infringes trademarks by the Article 9 and 14 of the Unfair Competition Law. It is mandatory that the comparison of the potency and frailty (weakness) of the product should be fair and not taking advantages of the reputed brands. The construal of article 9.1 of the Civil Unfair Competition laws has been further elaborated by the Supreme People’s Court which suggests that the following shall be termed as “unfair comparative advertising”:-

- Accomplish a partial comparison or creating one-sided advertisement.
- Portray the particulars of a product to be true even when the details related to it are uncertain.
- Use idioms and expression with ambiguous meanings to create confusion.

However, the Courts have further clarified that an obvious exaggeration of certain qualities of the commodity or product in an advertisement shall be taken as mere puffery and not illicit on account of being deceptive or unfair. A careful analysis reveals that the courts have protected those an advertisement in which comparison complies with the provisions of fair competition as laid in Civil Unfair Competition Law.

Many cases related to product disparagement and unfair competition has been filed in the courts of China. From the instances of those cases it appears that the judiciary does not unconditionally forbids comparative
advertising and that their decisions to assess the alleged deceptive and unfair aspects against the factual status of the compared goods/products/commodities/services is based on day to day experience of the general public. For instance in the case of *Beijing Milan Spring Co Ltd v Beijing Paris Spring Wedding Co Ltd* (First Intermediate Court IP First Instance 76, 2000), the Beijing’s First Intermediate Court gave the verdict that it was unfair competition to use such slogan in the advertisement as “No.1 in China, Area No 1, Luxury No 1, Service No 1”. In yet another noteworthy unfair competition case arising from comparative advertising, the *Fujian FuQing Damin Biological Engineering Co Ltd vs Fuzhou Nanhaian Biological Engineering Co Ltd* (IP Final Instance 7, 2000), the Supreme Court stated that by making a claim in the advertisement that “of all the eel calcium currently on sale in the market, only the eel calcium produced by this company is authentic”, is sufficient to mislead ordinary consumers to believe that only the product of the claiming company is authentic and rest are not. The court considered that the claim amounts to fabrication and dissemination of false information and the advertisement to be case of product disparagement that injured the goodwill of the product and reputation of the rivals in the market.

Thus, it can be inferred that the criterion for the Chinese courts to evaluate whether comparative advertising is lawful or not is to see whether the comparison damages the legal rights of his competitors and injures competition in the market. Since there is no specific legal provision for regulating comparative advertising to not to disparage the products and prevent trademark infringement, the Chinese courts try to apply the principle of general consumer’s attention to determine whether the comparative advertising is misleading, disparaging the product or infringing the trademarks.
Interestingly, the courts make the infringer pay the price. Based on facts and considering all the damages due to unfair comparison, its socio economic effects, duration, extent and the nature of infringer’s act, the Courts make the infringer liable to pay the compensation. For estimation of the damage incurred the Courts consider the following:-

- The losses sustained by the injured party.
- The legal cost incurred. This includes the fees spent on notary, litigation procedures and attorney.
- Cost to rebuild the lost goodwill.

If the losses suffered by the injured party are practically difficult to be calculated, the courts assess it to be equivalent to the profit gained by the infringer during the infringement period by his act of infringement. Thus, even in the absence of a specific litigation to check unfair comparative advertising, the arrangement in China is quite stringent to trademark infringement and product disparagement occurred in comparative advertising.

### 4.1.6 Brazil

The legal opinion and judicial precedents have yet not attained a consensus on the extent of use of comparative advertising in Brazil. In this country, too there are no specific regulations to check the fair use of trademarks in comparative advertising. Here too the Industrial Property Law ascertains exclusive rights to the trademark proprietor granting him the right to prevent others from using his registered trademark in an unauthorized manner. These rights are clearly inferred from this law whose Article 129 reads as follows:
“Article 129: The property of a Trademark is acquired by means of registration, when validly granted pursuant to the provisions of this Law, and its exclusive use throughout the national territory is assured to the titleholder.”

In coherence to this exclusive right, the Article 130 of this law further ascertains the following to the titleholder of a trademark

“Article 130: The titleholder of a mark is further assured the right to:

a. assigns his registration or application for registration;
b. license its use;
c. safeguard its material integrity or reputation.”

Thus drawing an inference one can logically conclude that the Industrial property law grants the trademark holder, the right to use it exclusively, the right to license it and the right to safeguard its reputation. Thus even when there are no specific laws for trademark infringement in comparative advertising in Brazil yet the Industrial Property Law gives complete right to the trademark holder to prevent its unauthorized use in comparative advertising. It has been proposed several times that the Industrial Property Law should be modified to refer exclusively to the illicit practice and warrant greater certainty about the lawfulness of comparative advertising in Brazil. Nevertheless, the legislature does not seem to have such amendment as priority.

However, this is not the be all and end all. Article 132 of the Industrial Property Law imposes certain restrictions on the right of exclusivity of the trademark owner. According to it a trademark holder may not :-
o restrain the merchants or distributers from using their trade name/ marks along with his trade name /marks for business endorsement and marketing.

o thwart the firms, manufacturing accessories related to his product/service, to use his trademark to represent the purpose of their product, provided that for use of these trademarks by the firms fair competition practices are adopted.

o impede those speeches, scientific or literary or general purpose publication in which reference to his trade name/mark has been done, provided the reference has not been done for any commercial connotation as well as it is not detrimental to the unique character of the trademark.

Thus, Article 132 lists all those circumstances in which it would not be possible for a trademark holder to exercise his right of exclusivity against the third parties. And it also makes it quite lucid that the circumstances in which the third party is allowed to use the restricted trademark, in no case permits it to be used for commercial purpose including comparative advertising else it would be considered to be infringement. Thus, the Article itself is sufficient to be used by the trademark holder to stop the third parties to use his trademark unlawfully.

A meticulous inspection suggests that Article 132 does not imply that Comparative Advertising is not been promoted in Brazil. The Brazilian Advertising Standards Authority (CONAR), which is civil association to establish and enforce the rules related to advertising in Brazil embraces the modern trends adopted worldwide regarding comparative advertising and have
stipulated certain norms to be fulfilled by these ad campaigns to be lawful. The norms are expressed below:-

"SECTION 7 Articles 32 –

- its main purpose must be to provide information, or even to defend the consumer;
- the basic principle must be the objectiveness of the comparison. Subjective claims, grounded on psychological or emotional factors, do not constitute a valid basis to support the comparative advertising before the consumer;
- the comparative claim must be capable to be proved;
- if the advertising is related to mass consumption goods, the comparison must be promoted between samples or models of the same year, being irregular the confrontation of products of different times, unless it constitutes a reference to show evolution, circumstance that must be clearly characterized;
- confusion between products or trademarks must not occur;
- unfair competition and tarnishment of trademarks or products owned by the competitor are strictly forbidden;
- the unjustified corporate image or reputation of third parties must not be used;

When the comparison is made between products of different prices, such circumstance must be clearly indicated in the advertising. The above mentioned norms supports comparative advertising provided the comparison made is real, capable to be proved all times and facts are stated objectively.

Even the verdicts of the courts in the last five years have supported fair comparative advertising. The Key Brazilian Courts for Intellectual Property Rights, the Sao Paulo Court of appeals have rendered several well-grounded
decisions relating to the practice of Comparative advertising, specifying certain limits so that it does not amounts to product disparagement and infringement of trademarks. Three lawsuits in Sao Paulo Courts in last five years are worth mentioning. All three verdicts recognized the legality of comparative advertising, but confined it to the limits of rational competition.

In the case of *Activia v Nesvita* (Appeal 9103501- 36.2008.8.26.0000), in the advertisement, the first yoghurt consumer chooses Danone’s Activia product, on which the second consumer persuades her to purchase Nestlé’s Nesvita product instead, explaining her nutritional benefits of Nesvita compared to Activia. Activia’s trademarks and trade dress were used in the ad. However, the verdict of the Sao Paulo Court of Appeals was that, there was no infringement of trademarks and the information given in the advertisement was true and verifiable and was for the aid of the consumer to make a rational purchase decision. Further, according to the verdict of the court no offence had been caused to the integrity or reputation of the competitor’s trademark.

The case of *POMAROLA*, the trade name of tomato sauce of *Unilever, vs Cirio Brasil Alimentos Ltda*, owner of the tomato sauce trade name *CIRIO*, (Appeal 0063180- 93.2000.8.26.0000), displayed an ad in which an actress as consumer, tasted tomato sauces from two different concealed packets and opines about the tastiest one. Another actress as a reporter uncovers the packets showing the packaging of both sauces and the chosen tastier sauce to be of CIRIO rather than POMAROLA. The Sao Paulo Court of Appeals found that the comparison in the advertisement was skewed as it was build on purely subjective elements and not on a survey establishing consumers’ preference. The infringement was established on the basis that the comparison did not meet the necessary objectivity to be called fair and
therefore the advertisement was ceased and monetary compensation was penalized.

The third case, which was between *Wal-Mart Brasil Ltda* and *Companhia Brasileira De Distribuição (CBD)* (Interlocutory Appeal 0092474- 10.2011.8.26.0000), the court pointed out that Wal-Mart had shown an ad on Brazilian television to invite consumers was merely to validate that its prices were lesser than its rivals’ prices. This fact did not impinge on a consumer’s right to truthful information; nor did it violate the requirements of Article 32 of the code.

Nonetheless, the level of subjectivity in dealing with the confinement of lawful comparative advertising is very high in Brazil, these fresh decisions provides the Brazilian market players to advertise with a bit more legal certainty when promoting new business and marketing campaigns.

4.1.7 Australia

Certain Cases regarding product disparagement and trademark infringement have aroused in the Australian Courts also. Yet here there are no specific laws that regulate comparative advertising. In this country, like the US comparative advertising is permitted provided the advertisements are based on truth and are not creating confusion. Generally, under the Australian Consumer Law it is expected from the advertisers that they would follow the below mentioned criterion while practicing Comparative Advertising so as to avoid breach of law:-

- Comparison must be with similar product (Case Study- HCF Australia Ltd. Vs Switzerland Australia Health Fund Pvt. ltd.)
• Comparison made must be explicit to the Consumers (Case Study – Gillette Australia Pty Ltd vs. Energizer Australia Pvt. Ltd.)

• Mock Test conducted must be appropriate and as per the guidelines of industry (Case Study- Duracell Australia Pty Ltd. Vs Union Carbide Australia ltd.)

• Presentation of Mock Test results should be as they are. (Case Study- Makita Vs Black Decker)

• Ensure that the results of mock test are similar to the real life functioning of the product (Case study – Hoover Australia Pty Ltd Vs Email Ltd.)

### 4.1.8 Italy

Italy implemented the directive in 2000 and its national legislation has evolved in line with it since then. Today, comparative advertising is mainly governed there by three regulations:

- Article 2598 of the Civil Code,
- Legislative Decree 145/2007,
- Code of Marketing Communication.

Article 2598 of the Civil Code defines ‘unfair competition’ in general terms, without reference to advertising. However, case law has exploited the broad provision under Article 2598(3) to include misleading, confusing or denigrating advertising within the definition of ‘acts of unfair competition’.

Legislative Decree 145/2007 implements Article 14 of the EU Unfair Commercial Practices Directive (2005/29/EC) to lay down the rules under which comparative advertising is permitted. These prescriptions, with their EU origins, are familiar to member states.
Code of Marketing Communication is designed as a body of rules for self regulation, and is overseen by the *Istituto dell’Autodisciplina Pubblicitaria* (IAP), a private institution comprising of lawyers, communications experts and representatives of advertising agencies and investors in advertising. The Code of Marketing Communication forms the basis of a voluntary jurisdiction. It is binding only on entities that have accepted it, but it is nonetheless deeply influential, as all branches of the Italian media are part of the self-regulatory system. As a consequence, television and radio broadcasters and the press will not broadcast or display a marketing communication which has been deemed contrary to the code, even though the code is not enforceable against an advertiser which does not agree to it.

The National Antitrust Authority is the body mandated to apply and enforce the legislative decree. However, the IAP is increasingly the main forum for comparative advertising disputes, mainly because of its expert, high-profile judges and its reputation for delivering prompt, binding decisions.

The courts, up to and including the Court of Cassation, have consistently stated that disobeying a judgment of the *Giurì* – the IAP’s tribunal, a panel of jurists and communication experts – constitutes a breach of the unfair competition rules in Article 2598, exposing the party in question to an order of compensation for damages. Article 15 of the Code of Marketing Communication comes into consideration when looking at the rules applied by the tribunal in the field of comparative advertising.

### 4.1.9 Argentina

In this country, there are no exclusive legislation to regulate the fair use of comparative advertising; however, the judgments in numerous cases
reveal that the courts follow international precedents based on the European Union Directives on Comparative Advertising. That is if a comparative advertisement is found to be deceptive, misleading, is disparaging the brand, infringement of trademark, proven to be against ethical standards, or omitting some essential aspects of comparison, it is likely that the courts will grant an injunction to such an advertisement and also declare it to be illegal.

4.1.10 Hong Kong

Hong Kong has no specific laws intended to control misleading and dubious advertisements. The Trade Descriptions Ordinance prohibits the unfair representations in an advertisement. To deal with an advertisement in which comparison is deceptive, misleading, or designed to disparage the competing brand or there is an infringement of rival’s trademark, or is omitting some significant aspects of comparison, the tort of Trade libel can be used to deal with it. The Association of Accredited Advertising Agencies of Hong Kong is the regulating body to take action against the wrongful comparative advertisements and the Consumer Council has the powers to publish the amended information regarding such advertisements.

4.2 CASE STUDIES IN DIFFERENT COUNTRIES JURISDICTION
: INTERPRETATION OF LAW IN STRIKINGLY SIMILAR CASES

Now we deal with the complex and fascinating aspect of the diverse approaches taken by the courts in cases which resembles remarkably in terms of facts but fruits discrepancies in judicial opinions. A meticulous review of the judicial pronouncements in the Smith vs. Channel Case in the US and L’Oreal vs Bellure Case in the EU with respect to both jurisdictions’ trademark laws in this matter clearly reflects that there are differences in the interpretation of the laws in this regard. The use of registered trademarks of a
reputed product to portray one’s products which are lawful imitations of the reputed one provided it has been honestly used and is non-deceptive or not misleading, then it is permissible by the US law but prohibited by the EU laws. Further through the study of the two cases from the European Union Jurisdiction we shall analyze the approaches adopted by the UK Court, followed by jurisprudence laid down by the chief Justice of EU Court in both the cases of O2 Holdings Ltd. vs. Hutchison 3G UK Ltd and L’Oreal vs. Bellure. The approach of EU to the core issue of comparative advertising, particularly regarding the scope of liabilities and the laws governing these issues is clearly reflected in each case one after the other.

4.2.1 The Case of Smith vs. Channel Inc. in US

According to Westlaw Citing References, April 24, 2013, the case of Smith versus Channel as decided by the US Ninth Circuit Court of Appeals is been seen as a binding precedent for almost 600 judicial opinions. In 2009, forty years after this case the ECJ gave judgment in L’Oreal vs. Bellure case, a case which has facts similar to Smith vs. Channel case but differ in outcome.

Facts: -The facts are drawn from cited reference\(^\text{18, 19}\). Smith created a fragrance called ‘Second Chance’ as a duplicate of Chanel, Inc.’s fragrance ‘Chanel No. 5’ at a fraction of the latter’s price. He advertised this and other ‘smell-alike’ perfumes in a trade journal directed to wholesale purchasers, claiming that his perfumes “duplicate 100% perfect the exact scent of the world’s finest and most expensive perfumes and colognes at prices that will zoom sales to volumes you have never before experienced!”. This advertisement also contained an order blank with a ‘comparison list’

\(^{18}\text{Smith v. Chanel, Inc., 402 F.2d 562, 562-63 (9th Cir. 1968), and Chanel, Inc. v. Smith, 151 U.S.P.Q. 685 (N.D.Cal. 1966).}\)

\(^{19}\text{Nordic Journal of Commercial laws, Issue 2012 #1by Cynthia W. Sharp}\)
presenting each Smith fragrance along with the name of the well-known fragrance it purportedly duplicated. Below “Second Chance” appeared “Chanel No.5” with an asterisk referring to a statement at the bottom of the form reading “Registered Trade Name of Original Fragrance House.”

Chanel, Inc. filed suit against Smith claiming violation of US trademark laws, 15 USC. §§ 1051 et seq. “Without regard to the truth or falsity of the statements made in defendant's advertisement and notwithstanding the fact that the plaintiffs' toilet preparations are not protected by the patent laws,”20 the trial court held that Smith infringed Chanel, Inc.’s trademarks. Smith appealed higher.

**Verdict:** The Ninth Circuit reversed the trial court’s decision on the basis that

1. Smith had the right to copy Chanel’s perfume;
2. Smith’s imitation was indeed equivalent to Chanel’s original, and
3. Packaging and labeling of Smith’s imitated perfumes was not misleading or confusing,

The issue framed by the court was “whether one who has copied an unpatented product sold under a trademark may use the trademark in his advertising to identify the product he has copied.”

Stating that such use was allowed, the Ninth Circuit held that a manufacturer of a perfume may market its perfume as a duplicate of a trademark perfume which was not patented so long as the manufacturer does not misrepresent or create a reasonable likelihood that purchaser would be confused as to source, identity, or sponsorship of manufacturer's product.

4.2.2 The Case of L’Oréal SA vs. Bellure NV in EU Court

Facts:

All facts have been taken from cited reference\(^{21}\)-\(^{23}\). Bellure was a producer and distributor of “smell-alike” perfumes, which were actually imitation to a number of reputed perfume brands. It advertised these imitated ‘smell-alike’ perfumes in a trade-magazine circulated among wholesalers, in which a comparison list of prices was shown. This comparison list also included the word marks of the luxury brands to which the smell-alike product corresponded. L’Oreal, which was a highly reputed perfume manufacturing company, had registered a number of trademarks in class 3 to protect its products. Bellure imitated some of the L’Oreal’s high end products viz. Tresor and Miracle copying even their stylized word marks and shape marks. In its comparison list Bellure’s cheaper perfumes Coffret d'Or’ and ‘La Valeur,’ identified as sharing characteristics, specifically smell, with Trésor and Anais Anais of L’Oréal ’s luxury perfumes. The imitated perfumes of Bellure were an exact replica of L’Oreal’s perfume in smell, and the shape of the bottles and packaging though not truly identical, but were so designed that the list incorporating comparison where similar marks were used gave the ‘wink’ of an eye touch to the L’Oreal’s product. Bellure admitted that this was done intentionally so that the consumers could develop a link between his and L’Oreal’s products.

\(^{22}\) U.K. Court of Appeal [2010] EWCA Civ 535;
\(^{23}\) U.K. High Court of Justice (Chancery Division) [2006] EWHC 2355 (Ch).
Laws referred to:\(^{24}\):

- **Section 10(2) Trademark Act, 1994**: A person infringes a registered trademark if he uses in the course of the trade a sign which is identical with the trademark in relation to goods or services which are identical with those for which it is registered.
  - The sign is identical with the trademark and is used in relation to goods or services similar to those for which the trademark is registered, or
  - The sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, and
  - here exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trademark.

- **Council Directive 89/104/EEC**: The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade: any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered.

- **On Consequences of infringement** Council Directive 89/104/EEC states: Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.

**Verdict:**

*UK Court*

L’Oréal sought a trademark infringement claim against Bellure’s act in the High Court of Justice of England and Wales (Chancery Division). It claimed:

(i) *Infringement of its trademarks:* Bellure’s similar packaging and comparison lists showing marks to indicate which of his products corresponded to which L’Oréal perfume infringed L’Oréal’s registered trademarks for those perfumes.

(ii) *Loss of Goodwill:* The reputations of its famous luxury perfumes were impaired by the cheaper imitations.

(iii) For an action of *passing off tort.*

The Court gave the verdict in favour of L’Oréal considering that Bellure had taken a free ride on the back of L’Oréal’s products. The Court said that this was not in accordance with honest commercial practices or defenses afforded by sections 10(6) or 11(2) of the Act, liability was called for and convicted Bellure act of similar packaging as a case of unfair competition. However, the Court did not consider the passing off claim against Bellure because it considered that there was no misrepresentation or deception causing confusion. Dissatisfied with the High Court’s ruling, L’Oréal appealed. The Court of Appeal of England and Wales (Civil Division) gave a stay order to the proceedings and, in a reference for a preliminary ruling, sought advice on the inter-relationship of the Trademarks Directive and the Comparative Advertising Directive. In its reference for a preliminary ruling, the UK court had raised certain questions which are of immense importance to comprehend the subject matter. We discuss those here.

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21 *L’Oréal v. Bellure* decision was made in response to a preliminary ruling, a procedure whereby national courts question the ECJ on the interpretation or validity of European law. Such a process is ‘not a recourse taken against a European or national act, but a question presented on the application of European law.’
• If a third party uses a registered trademark respective to its descriptive nature would it tantamount to infringement as per the Council Directive 89/104/EEC?

• The comparison list incorporates the use of similar marks intended to connect a link to L’Oreal’s products. Does this causes infringement of the law in the Council Directive 89/104/EEC* or relief can be given as the essential function of the trademark to provide the origin is not affected?

• Does usage of identical marks in comparison list, as occurred in this case too, can be said to have struck by the illegality of unfair advantage? What is the meaning and the extent of unfair advantage conveyed by the Directive 2006/114/EC under Art.3a(1)(g) (now Art. 4(f vide Directive 2006/114).

• Does Art. 4 (f) of the Directive 2006/114/EC provide any scope of representing replicas or imitations of products of another propitiator’s so as to gain commercial advantage?


**EU Courts:**

The judgment went in favour of L’Oreal. ECJ reinstated the fact that, Bellure’s use of L’Oréal’s registered marks in its comparison lists constituted trademark infringement and unlawful comparative advertising as Bellure intended to take unfair advantage of the reputation built by L’Oreal with respect to its trademark. The ECJ’s interpretation of the directives can be well comprehended from the answers addressed by it to the questions posed. It ruled

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26 Case C-487/07, L’Oréal v. Bellure, paras. 27-30
• To prove unfair advantage under Article 5(2) of the Trademark Directive a likelihood of confusion or detriment to the distinctive character of the repute of the mark or to its proprietor is not essential.
• Article 5(1)(a) of the Trademark Directive allows the proprietor of a registered trademark to prevent a third party’s use of the mark in a comparative advertisement when that advertisement does not satisfy all the conditions of the Comparative Advertising Directive.
• An advertiser who explicitly or implicitly states in comparative advertising that his product is an imitation of a reputed product bearing a trademark violates Article 3a (1) of the Comparative Advertising Directive and takes unfair advantage of the mark.
• Infringing any one of the criteria’s would lead to trademark infringement under Art. 5(2) of the Council Directive 89/104/EEC.

In its verdict the CJEU also gave a measure of detriment caused to the trademark due to infringement. According to him the damage caused depended linearly on the degree of reputation and distinctiveness of the mark.

The trademarks which have a distinctive face value and aura in the market and posses better reputation of the mark, the more are the chances of them getting victimized as the infringer will always intend to take unfair advantage of the fame, goodwill and market demand of the actual product by its replicated or look alike marks. Such recurrent uses then tend the general public to associate these replicated mark with the original one. Quoting CJEU words below:

“...ride on the coat-tails of the mark with a reputation in order to benefit from the power of attraction, the reputation and prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.”
4.2.3 The Case of O2 Holdings Ltd. vs Hutchison 3G UK Ltd in UK & EU Courts

Facts\(^{27}\):-

A new company Hutchinson 3G when taking entrance in the mobile phone service sector launched a UK television advertising campaign comparing 3G's services with those of O2, one of the reputed brands in mobile phone service sector. In this advertisement 3G referred to O2 using images of bubbles. It compared the prices of O2 with its services to portray it services to be cheaper as compared to O2 and while in the advertisement this comparison is displayed, on the rear it shows the black and white bubble imagery to be fading out and 3G to be appearing. The connotation of such content was to depict the departure of O2 and the emergence of 3G. But O2 raised objection. Since O2 had registered a trademark which depicted the images of bubbles with blue colour that basically represented the chemical formula of the vital gas oxygen. This trademark was representative of O2 services in UK and it was quite popular among the common public and seeing the mark the public could identify it with O2’s services. Thus O2 claimed that 3G's use of this imagery in comparative advertising infringed O2’s registered trademarks.

Law invoked:

- Article 5(1)(b) and 4 of First Council Directive 89/104/EC represents the Directives related to Trade Marks \(^{28}\). The protection of the rights of a registered trademark lies under the realm of these Trademark Directives.
- The EU Directives Article 4 of Directive 2006/114/EC, which are the directives related to Misleading and Comparative Advertisement define

\(^{27}\) Case C-533/06, O2 Holdings Limited v. Hutchinson 3G UK Limited [2008] ECR I-4231

Comparative advertising as “any advertisement which explicitly or by implication identifies a competitor or goods or services offered by a competitor.” These directives permit comparative advertising.

- Article 6(1)(b) of the Council Directives 89/104/EC states that “A trademark proprietor cannot prohibit a third party from using, in the course of trade, indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of the service or other characteristics of the goods or services provided he uses them in accordance with honest practices in industrial or commercial matters.”

- Section 10(6) of the UK Trademarks Act 1994 entails “in accordance with honest practices in industrial and commercial matters”

**Approach of UK courts:-**

The Courts rejected O2’s plea of considering under the ambit of Council Directives 89/104/EC defense under Art 5(1), infringement of his trademarks by 3G. The Judges held that Article 5(1)(b) of the Council Directives 89/104/EC cannot be invoked (applied to) in situations where a business player uses comparative advertising without jeopardizing the reference to the source of the product or origin of the trademark. According to the courts in UK, the advertisement corroborated with Article 4 of the Directives 2006/114/EC and the infringement of trademark cannot be claimed in this case as it considered the consumers to be sensible enough to realize that the imagery of bubbles used was just to make a reference to the competitor while making a comparison of price list and as the comparison between prices displayed was true and further the advertisement did not make

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29Directive 2006/114/EC, OJ L 376 at 22, art. 4
30Blackstone’s Statutes on Intellectual Property, 9th edition by Christie and Gare, Oxford Publication. Pg 412.

4.42
any attempt to form a linkage of trade connection to the extent that it was misleading the consumers. UK Courts showered importance to the Comparative Advertisement Directives and negated the Council Directives 89/104/EC.

Outcome

- Both the parties challenged the decision of the English courts and appealed before EU Courts.
- Hutchinson claimed that his comparative advertisement did not fall within the realms of Article 5(1)(b) of Council directives 89/104/EC and that his act was as per Article 6(1)(b) of the council Directives 89/104/EC.
- O2 maintained its claim that through this advertisement his trademarks were infringed as per 5(1)(b) of the Council Directives 89/104/EC.

Other side of the coin: The aspect of “likelihood of confusion” is crucial in deciding the case so as to judge whether such an advertisement would cause confusion to the consumers and public at large.

Approach of ECJ:-

CJEU clarified that a trademark proprietor via Article 5(1)(b)of the Council Directives 89/104/EC cannot prevent a third party to use his registered trademarks, when such use is in accordance to the provisions laid under Article 4 of Directives 2006/114/EC.

Further in an answer to the question argued by Hutchinson that does the use of trademark to truly refer to a competitor in comparative advertising constitutes infringement of the rights of trademark proprietor, CJEU Lewison J held that such pleas should be rejected as they are based on open ended
proposition as the usage of trademarks by a parallel importer can also be referred as infringement of trademarks\(^{31}\).

CJEU held that

- Compliance with Article 4 of the directives 2006/114/EC provided a shield for defense against infringement of trademarks.
- The trademark proprietor can claim for trademark infringement and can avail the defense under Article 5(1)(b) only if use of trademark is such as to create confusion about the source or origin of the trademark among the consumers.

CJEU gave the verdict that as the advertisement did not constitute confusion to the origin of the product to the consumers and hence O2 had no right to stop the use of his trademarks (bubbles) in the advertisement.

Through this verdict CJEU laid down the conditions on which infringement of trademark can be considered:

The use of trademark by a third party is:

- in the course of trade
- is without trademark proprietor’s consent.
- is in relation to the similar type of products or services as that for which the trademark has been registered.
- Creates confusion regarding the origin of the services or marks.

\(^{31}\)Timothy Pinto, ‘Bubbles! The indispensability of the Comparative Advertising Directive to trade mark law’ <http://jiplp.oxfordjournals.org/cgi/content/full/1/9/574>
4.2.4 Case Analysis: Scope of liability & difference in Interpretation of law by US, CJEU and UK courts

The analysis of the three cases at issue shall bring to the forefront the key areas of divergence between the interpretations of the legislations in each country.

- US comparative advertising laws reflect the emphasis on consumer rights. In contrast, the *L’Oréal v. Bellure* decision, suggest that EU law has evolved in a direction that protects the trademark holders’ property rights.

- Using the registered trademark of a well-known product to describe another product that lawfully imitates the better-known one, when such use is truthful and not misleading or deceptive, is unlawful in the EU and lawful in the US.

- The divergence arises out of the different emphasis the two courts place on the parties’ respective rights regarding the concept of trademark dilution. The ECJ is on the side of the rights holder; the US on the side of the consumer. Under US law, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. Under EU laws the concepts of taking unfair advantage of the distinctive character or repute of the mark must be intended to encompass instances where there is clear exploitation and free-riding on the coattails of a famous mark. ‘Free-riding’ is a key concept in the *L’Oréal* case, and one of the bases upon which the ECJ
found advantage unfairly taken by Bellure. In the EU, therefore, anti-dilution laws may be used to limit comparative advertising.

- The right to use well-known trademarks to describe a product as an imitation of the well-known product is not specifically laid out in the Lanham statute. Rather, the right to do so is found in case law. The exclusion of ‘descriptive fair use’ from the scope of the Lanham Act’s anti-dilution provisions implicitly allows advertisers to describe their product as an imitation of another without risking an anti-dilution action. Indeed, ‘descriptive fair use’ is in essence how Bellure framed its actions.

- The ECJ reasoned that the use of the marks in the comparison lists constituted presenting an article as a replica, is in contradiction of the Comparative Advertising Directive as Article 4(g) specifies that ‘comparative advertising shall, as far as the comparison is concerned, be permitted when ... it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.’

- In direct contrast to US courts, the ECJ considered Bellure’s attempts to ‘get the good will of the goods’ to amount to unfair competition. The distinction is a narrow one, but particularly significant in L’Oréal, since the product in question was perfume, which, when worn, has no visible identifying features. Consumers would buy Bellure’s products because they like the smell of the copied product (the goodwill of the goods), not because they are relying on the reputation of L’Oréal’s marks (the goodwill of the name).

- Because of the jurisdictions’ opposing views regarding use of trademarks to describe copies, what constitutes unfair competition is also different. There is a divergence of opinion on what constitutes an ‘honest practice.’ In the US, a competitor who produces low-priced substitutes for better known, name-brand items, and uses the name-
brand to truthfully tell consumers what has been copied, does not compete unfairly.* On the other hand, in the EU, ‘comparative advertising which presents the advertiser’s products as an imitation of a product bearing a trademark is inconsistent with fair competition…any advantage gained by the advertiser through such advertising will have been achieved as the result of unfair competition and must, accordingly be regarded as taking unfair advantage of the reputation of that mark…. ’. Part of this variation in approach is due to the difference in emphasis on the expenditures made by rights holders to build and maintain their brand. In the US, such expenditure does not, in itself, create additional rights. In the EU, however, it does.

- The Ninth Circuit in Smith v. Chanel stated definitively that ‘a large expenditure of money does not in itself create legally protectable rights’ and that Chanel was ‘not entitled to monopolize the public’s desire for the unpatented product, even though they themselves created that desire at great effort and expense.

- The intent of the advertiser is of immense consequence. If there is a clear intent on the part of the advertiser to take a free-ride on the reputation of a reputed mark to enhance his product’s sales and thereby making financial gains, then it is considered unfair. What happened here, is, Bellure explicitly tried to attract the customers with the aid of a ‘wink’ of an eye similarity of the packaging of it with the world famous Loreal perfumes to use L’Oreal’s ‘power of attraction’ in their favour, which has led to the taking of unfair advantage of L’Oreal’s reputation to enhance their own economic gain. When a consumer sees a particular mark, it would appear in his mind, the mark’s close nexus with the original registered trademark coupled with the fact that the advertiser did the same with the intention to create a link between the two marks in the consumer’s mind in order to derive a commercial advantage.
• Henceforth, one can say that the CJEU have made it easy for brand owners and registered trademark holders to prove unfair advantage without the need to establish the quantum of damage suffered or the confusion created due to the similarity of the almost identical marks.

• The CJEU further stated that it was illegal to promote one’s products in the form of goods and services as imitation or replicas of another which has a registered trade mark. This will not only infringe Art 5(2) of First Council Directive 89/104/EEC but also the Directive 2006/114/EC rules on defenses vide Art. 4(f) and Art. 4(g). Here it was pointed out that Bellure adopted the approach of presenting its perfumes as imitation to that of L’Oreal which again falls within the ambit of illegality under unfair advantage specially bearing in mind, such approach is coupled with the comparison list as well.

• Herein rise the complex issue and the question referred as to whether Art. 5(1) of First Council Directive 89/104/EEC allow a trade mark holder to prevent the use of its mark in comparative advertising where such an use doesn’t clash with infringing the essential function of the mark as to the origin of the goods and services but plays a vital role in giving impetus and promotion to the third party’s product. In this case, the marks related to the goods were so similar that, it was found out that Art. 5(1) was infringed and the proof for the likelihood of confusion was immaterial.

• Proceeding further, the CJEU went a step higher to pronounce that while invoking Art. 5(1)(a) of the First Council Directive 89/104/EEC, it would not only confine the limit to the origin of the goods but, the protection will in fact extend to other functions of the marks as well like the quality function, communication function, investment function and finally advertising function as a whole. This meant that, now the trademark owner’s scope to protect their respective marks in goods and services had a bigger ambit since infringement no more narrowly based
upon the origin of goods and services or essential function of the trade mark but also equally on other functions as well. This in a broader and conceptual way means that now after the passing of this decision by the CJEU, all other functions of a trademark will be treated as essential function on the face of it. Thus, the CJEU has clearly turned down the defendant’s plea of defense on the basis of comparative advertising as per the Directive 2006/114/EC, which clearly vide Art.4 (f) and Art.4 (g) states that comparative advertising is only permissible where no unfair advantage is taken and goods or services are not presented as replicas or imitation having a protected trademark respectively.

- It is evident that the UK courts are more pro comparative advertising than the CJEU. In other words, the CJEU is more in favour of brand owners. In the O2 case, there is a clear contradiction between the Council Directive 89/104/EEC and the Directive 2006/114/EC. As per Directive 2006/114/EC, the likelihood of confusion in the minds of the consumer or the public is one of the major grounds whereby, if there is any confusion, comparative advertising will not be permitted. This provision is also in harmony with the Council Directive 89/104/EEC. Now, with respect to scope of liability, there is an area of uncertainty when it comes to the issue of whether, a brand owner can take the plea of trade mark infringement in the case of comparative advertising. From the O2 case, there is no doubt about the CJEU’s ruling that trade mark infringement plea can be taken but with the sole condition that the use of similar mark by the third party led to the confusion among the public and the general consumers. Nevertheless it is a big relief for the brand owners, as they can now avail the defences under Art.5 (1) (b) of the Council Directive 89/104/EEC but only by evidencing the creation of confusion with respect to its product and that of the comparative advertiser in the market. The CJEU’s rational decision has been a boon for trademark owners. But, the CJEU’s judgment in the
subsequent L’Oreal case evidences a clear disparity between the UK courts and the CJEU. Not only the CJEU in the Loreal case construed the meaning of “unfair advantage” or “free riding” in a very strict sense of the term, but also it clearly sent a statement to the comparative advertiser to be extremely careful while making such comparisons. This decision of the CJEU is clearly more pro brand owners.

Thus to conclude our study regarding this matter in countries other than India we find that with the augmentation in Globalization in past two decades, Advertising expenditures in foreign markets are also increasing. The companies have started spending a fortune of bucks to globalize their products in order to keep up with worldwide competition. Although many nationals have strict regime for advertising markets, certain nationals have started up to open a freer and broader scope. Although Comparative Advertising is not a universally accepted advertising format, it is used in most countries-albeit to varying degrees. It is clear that the landscape advertisers practice their trade on sometimes differ by country or region. Consequently, companies need to know the legal barriers in various foreign countries before implementing an advertising campaign overseas. Also on comparing the laws relating to an open market system like USA and not so open market system like EU, it is clear that use of trade mark in comparative advertisement is legitimate as long as the emphasis is on promoting the product based on the differences and not the similarities between the two products. Further, the advertisement should inform and not mislead the consumer.