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Comparative Advertising and Trademark Trouble: What to care about when targeting the European Market.

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1. – Trademark Legislation in the European Union

Since the '80ies the European Union is aware of the fact that trans-national business strongly requires a harmonized legal framework for trademarks throughout the Union's territory. With the purpose to achieve such result two framework provisions have been issued.

1.1. - Council Regulation no. 40/94 dated December 20th, 1993² was intended (see Section 1) to introduce a harmonized ruling of the so-called “Community trademark” – CTM by conferring the owner a right of *exclusive use* (Section 9) and by entitling him to prevent third parties from using – without specific consent – in the course of trade any sign:

- (a) Which is identical with the Community trade mark,
- (b) Where, because of its identity with or similarity to the CTM, there exists a likelihood of confusion/association on the part of the public,
- (c) Any sign which is identical with or similar to the CTM in relation to goods or services not similar, where the CTM has a reputation in the Community 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 CTM.

On the other hand, according to Section 12, a CTM registration may not be invoked for prohibiting a third party from using in the course of trade:

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² See Official Journal of the EU L 011, 14/01/1994.

- (a) His own name or address,
- (b) Indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of the goods or of rendering of the service, or other characteristics of the goods or service,
- (c) The trademark where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided he uses them in accordance with honest practices in industrial or commercial matters.

1.2. – Previously the EU's first effort for harmonizing trademark legislation in the member states was performed through Council Directive 89/104/EEC dated December 21st, 1988³, which already contained similar provisions.

Section 5 established that *"The registered trade mark 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:*

- (a) *Any sign, which is identical with the trade mark in relation to goods or services, which are identical with those for which the trademark is registered,*
- (b) *Any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trade mark."*

Limitations to the effects of a trademark registration stated in Section 6 of the Directive are identical to those provided by the above-mentioned Section 12 of the Regulation.

2. – Comparative Advertising in the European Union

In the past, in most European countries comparative advertising had never been very popular and frequently was regarded by courts with open suspicion, as a sort of unfair trade practice. Even when domestic legal framework did not contain a specific ban of comparative advertising, companies tended to refrain from using such marketing tool as the risk of a court ruling, finding that a deceptive presentation of a competitor's product occurred, resulted all but low.

In 1984 the European Union issued Council Directive no. 84/450⁴ in order to harmonize regulations aimed at preventing misleading advertising. After the initial implementation of the Directive in the domestic legal systems of the Union's member states, additional provisions appeared necessary for a uniform ruling specifically focused on comparative advertising. Therefore, on October 6th, 1997, a supplemental Directive (no. 97/55)⁵ was adopted for such purpose, integrating the previous Directive and including provisions directed at comparative advertising, which was defined as *"any advertising, which explicitly or by implication identifies a competitor or goods or services offered by a competitor"*.

Those new provisions permitted comparative advertising as long as the following conditions were met:

³ See Official Journal of the EU L 040, 11/02/1989.

⁴ See Official Journal of the EU, 1984 L 250, dated September 19th, 1984.

⁵ See Official Journal of the EU, 1997 L 290, dated October 23rd, 1997.

- It is not misleading,
- It compares goods or services meeting the same needs or intended for the same purpose,
- It objectively compares one or more material, relevant, verifiable and representative features of those goods or services, which may include price,
- It does not create confusion in the market place between the advertiser and the competitor,
- It does not discredit or denigrate the trademarks, trade names or other distinguishing signs of a competitor,
- For products with designation of origin, it relates to products with the same designation,
- It does not take unfair advantage of the trademark or other distinguishing signs of a competitor,
- It does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

3. – So, everything clear now, no more problems? Not really!

After the publication of Directive no. 97/55 it was no more questionable that in countries members to the EU comparative advertising was now explicitly allowed and could also imply using a competitor's trademark.

Still problematic appeared to be the exact meaning of the requirements demanding that correct comparison had to confront only "*goods or services meeting the same needs or intended for the same purpose*" and had to objectively compare "*one or more material, relevant, verifiable and representative features of those goods or services, which may include price*". The main concern was that national courts in interpreting the Directive's general criteria could come up with significantly different readings of said wording.

Therefore commentators were expecting the views of the European Court of Justice (ECJ), competent on deciding whether member states' national implementing rules are complying or not with the EU's Directives and Regulations.

With respect to comparative advertising and use of third parties trademark the ECJ has established the following general principles:

(i) In the context of a lawsuit⁶, filed by *Toshiba Europe GmbH* against competing company *Katun Germany GmbH*, and concerning a Katun advert for spare parts and consumable items to be used for Toshiba's photocopiers, the ECJ stated⁷ that comparative advertising necessarily implies identification, explicit as well as by implication, of a competitor or its goods or services and also that an advertiser cannot be considered as taking unfair advantage of the reputation attached to a competitor's distinguishing marks, if effective competition on the relevant market is conditional upon a reference to those marks,

(ii) In another case⁸, the ECJ found⁹ that an advertiser is basically free to explicitly mention or not the brand name of a competitor's product (bearing in mind that the

⁶ See case no. C-112/99, submitted by a German First Instance Court (LG Düsseldorf).

⁷ Fifth Chamber, judgment dated October 25th, 2001.

⁸ Case no. C-44/01, Pippig Augenoptik GmbH & Co. KG vs. Hartlauer Handelsgesellschaft mbH, referred by the Oberster Gerichtshof (Supreme Court) of Austria.

⁹ See judgment dated April 8th, 2003.

omission of well-known brand names could result in misleading practice) and that the Directive allowing the use of another's trademark, trade name or other distinguishing marks in comparative advertising, such use may legitimately involve also the reproduction of competitor's logo or of a picture showing its shop's front, as long as all the requirements set by Community law for comparative advertising are met,

(iii) With respect to trademark legislation the ECJ rendered a decision¹⁰ on the correct reading of the provisions of trademark owner's exclusivity rights¹¹ and found that, when a 'descriptive use' is performed in relation to products identical with or similar to those for which the trademark was registered, such practice has to be considered as "fair use" and may not be opposed by a trademark owner with respect to the exclusivity rights granted by a registered TM,

(iv) The ECJ was also approached¹² on the concept of similarity in relation to the likelihood of confusion and held¹³ that **(a)** TM protection applies only to cases where, "because of the identity or similarity between the signs and marks and between the goods or services which they designate", a likelihood of confusion on the part of the public exists, **(b)** the criterion of identity requires 'strict interpretation' and implies that the two elements compared should be the same in all respects (therefore occurring 'identity' between the sign and the trademark where the former reproduces, without any modification or addition, all the elements constituting the latter), **(c)** correct reading of the Directive's provisions implies that a sign is identical with the trademark where it reproduces, without any modification or addition, all the elements constituting the trademark or where, viewed as a whole, it contains differences so insignificant that they may go unnoticed by an average consumer.

(v) Finally, in an interesting – even if not recent - decision¹⁴ the ECJ had already dealt with the problem of the relationship between advertising and copyright and trademark protection. One specific point in the context of the lawsuit was Evora's use of Dior's picture trademarks in its advertising. While no reference was made – for evident chronological reasons - to the provisions introduced by Directive no. 97/55, the ECJ clearly stated that under the EU's Community Law a trademark owner or copyright holder "may not oppose their use by a reseller who habitually markets articles of the same kind, but not necessarily of the same quality, as the protected goods, in ways customary in the reseller's sector of trade, for the purpose of bringing to the public's attention the further distribution of those goods, unless it is established that, having regard to the specific circumstances of the case, the use of those goods for that purpose seriously damages their reputation". As to the interaction between advertising and copyright the Court ruled that "the protection conferred by copyright as regards the reproduction of protected works in a reseller's advertising may not, in any event, be broader than that which is conferred on a trade mark owner in the same circumstances".

¹⁰ Case no. C-2/00, referred by a German Second Instance Court (OLG Düsseldorf) and defined by the ECJ through judgment May 14th, 2002.

¹¹ As contained in Directive 89/104/EEC, Section 5.

¹² On initiative of a French Court (Tribunal de grande instance de Paris), Case no. C-291/00.

¹³ See judgment March 20th, 2003.

¹⁴ See judgment November 4th, 1997, in case no. C-337/95, in Parfums Christian Dior SA and Parfums Christian Dior BV vs. Evora BV. The case – concerning the use of a selective distribution system for Dior perfumes - was referred to the ECJ by the Hoge Raad der Nederlanden (Supreme Court of the Netherlands), which sought a preliminary ruling on multiple questions.

4. – In conclusion

The above-mentioned judgments of the ECJ appear to conclude that there are some general principles and criteria useful to define acceptable comparative advertising, critical aspects¹⁵ are still left to the vagaries of interpretations by national courts on a case-by-case basis.

As a result, future cases will undoubtedly present significant differences and solutions. The harmonizing process, which inspired the EU Directive on comparative advertising, will require a substantial amount of case law and additional interpretation by the ECJ before a set of uniform criteria will be established. Such lack of clear guidance illustrates the difficulty in advising advertisers under the Directive and the complexities of the European initiatives to harmonize Union-wide standards.

¹⁵ Such as: the use of distinguishing marks, the targeted consumers' perception on the association of products and on competitors' reputation, the need to quote or not well known brands in the context of comparative advertising campaigns, the verification on the fulfillment of all requirements set by the directive for legitimate comparison.