

lewissilkin e-newsflash

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A victory for commercial free speech

Judgement was handed down today in a long-running comparative advertising dispute between the mobile operators O2 and Hutchison 3G UK- the company behind the 3 mobile phone network.



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This ground-breaking case involved the first in-depth consideration of how UK and EU trade mark laws should interact with a more recent directive on comparative advertising. O2 had claimed trade mark infringement of its bubble trade marks over the use of bubble imagery in a 3 television advertisement broadcast in August 2004 that compared the price of 3's pay-as-you-go service ThreePay against the price of O2's pay-as-you-go service.



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Today's judgement upheld the important principle that honest comparative advertising is in consumers' interests and advertisers should be given reasonable leeway, within the framework set out by the Comparative Advertising Directive, to engage in robust but fair comparisons. It is a judgement which is of great interest and importance to brand owners, their advertising agencies and advisers throughout Europe.

Background

This important case has set out new, stricter ground-rules for the permissibility of comparative advertising in the UK. In the past, the UK courts have adopted a fairly relaxed attitude in this area, only stepping in when the advertising was significantly misleading. For example, Ryanair were able to call British Airways 'EXPENSIVE BA___DS!' in one of their ads, claiming a price advantage greater than the one that actually existed.

It was previously thought that the requirements of the Comparative Advertising Directive did not affect UK trade mark law, in particular the test for comparative advertising under section 10(6) of the Trade Marks Act, as the Regulations by which the Directive was implemented in the UK expressly stated that they did not give rise to any private law right of action. The UK's preferred solution was to incorporate the Directive's requirements within the self-regulatory advertising codes.

In the light of more recent EU developments and caselaw, that position could no longer be sustained. The 'honest practices' test under section 10(6), which is a 'home-grown' provision in the UK Act not reflected in the Trade Marks Directive, must now be interpreted in accordance with the requirements of the Comparative Advertising Directive.

Judgement

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The claim proceeded solely on the basis of 3's television advertisement which featured black and white bubble imagery to accompany the aural reference to O2's prices, followed in the second part of the advertisement by a spinning 3 logo to accompany the aural reference to 3's prices. O2 claimed that the use of the bubble imagery in the advertisement infringed trade marks which O2 had registered of various representations of bubbles, mainly in blue.

In rejecting O2's complaints, the Judge found as follows: -

1. Taken as a whole, the advertisement was not misleading and did not create confusion between O2 and H3G UK or between O2's and H3G's trade marks.
2. The advertisement did not discredit O2's services or trade marks or take unfair advantage of the reputation of O2 or its trade marks.
3. The advertisement therefore complied with the rules on comparative advertising.

In summary, the judge concluded 'in the round' that:

"Although I have dealt with the various complaints individually, I must also consider the advertisement taken as a whole. This includes the entirety of the audio-visual presentation. When I do so, I cannot find that it is anything other than a fair and objective price comparison which does not take unfair advantage of or denigrate O2's trade marks or brand. As I have said comparative advertising is necessarily robust; and within the confines of the Comparative Advertising Directive, advertisers should, in my judgement be permitted to do what is needed to make the comparative advertisement effective."

This is the fourth decision in favour of 3 against O2 relating to this comparative advertising campaign. Following previous unsuccessful applications by O2 for an interim injunction and reference to the European Court of Justice, O2 accepted that for the purposes of the action the price claim in 3's comparative advertisement was true and not misleading. It also withdrew its complaints in relation to passing off, use of the 'O2' mark and over 3's print and radio comparative advertisements in the same campaign.

Implications for advertisers

In future, any use of a competitor's trade marks in comparative advertising will have to comply with the 'checklist' set out in the Comparative Advertising Directive in order to be non-infringing. Comparative advertising will therefore only be permitted when the following conditions are met:

1. It is not misleading;
2. It compares goods or services meeting the same needs or intended for the same purpose;
3. It objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;
4. It does not create confusion in the market place between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor;
5. It does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor;
6. For products with a designation of origin, it relates in each case to products

with the same designation;

7. It does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products;
8. It does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

Legal teams

Lewis Silkin acted for Hutchison 3G UK throughout, Giles Crown (Partner) and Spencer Davis (Associate) being instructed by clients Paul Vickers (General Counsel) and Justin Bass (Legal Counsel). The matter came to a High Court trial in early March 2006 before Mr Justice Lewison. H3G UK was represented by Geoffrey Hobbs QC and Emma Himsworth and O2 by Richard Arnold QC and Mark Vanhegan, instructed by Wragge & Co. O2 was represented at the interim injunction stage by Alistair Wilson QC instructed by Bristows.

For further advice relating to the implications of this case, please contact Giles Crown, or your usual contact at Lewis Silkin.

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