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THESIS TOPIC **Comparative Advertising in Anglo-Saxon And E.U. Law**

Student's Number	**100608005**
Student's Name,Surname	**Özgür Akman**
Program	**European Studies**
Supervısor	**Emre Gönen**
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Program **European Studies**

Doç. Dr. Yonca Karapazarlı

Yrd. Doç. Dr. Gül Okutan Nilsson

Emre Gönen

EGönen

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ABSTRACT

As the European Union acheived a highly important political and economical role in today's world, the researches about the conditions of this fact, have gained importance as well. At this perspective, this study is conducted on one of the key elements of the freedom of goods and services which is 'comparative advertisement'. Since the firms are the most crutial elements of the common market, it is so natural that those firms would want no surprises when advertising Unionwide, arising from each different member countries different legal approaches. In this study, firstly, advertisement and comparative advertisement is defined and thenTrade Marks issue is dealt with an economic aspect. This is mainly because of the fact that the legalty of a comparative advertisement is so closely related to Trade Marks especially in the Anglo-Saxon Law. Then, Comparative Advertising in England, and in the European Union is examined in detail with legislations and case law. In the end, the reader shall have an understanding of how the English law system and the Union, dealed with this critical topic of Comparative Advertising in history and how is the approach of the Union and the UK recently.

Günümüzde Avrupa Birliği'nin politik ve ekonomik olarak dünyada önemli ölçüde söz sahibi olmasıyla birlikte AB'nin bu duruma gelmesini sağlayan etkenleri araştırmak da önem kazanmıştır. Bu açıdan, bu çalışma Malların ve Hizmetlerin Serbest Dolaşımı'nın uygulanmasında önemli bir husus olan 'mukayeseli reklam' konusundadır. Ortak Pazar'ın en önemli parçası olan şirketlerin, AB genelinde reklam faaliyetine giriştiklerinde, değişik üye ülke kanunları ve uygulamalarından ötürü sürpriz yaşamamak istemeleri çok doğaldır. Bu çalışma da, önce kısaca reklam ve mukayeseli reklamı tanımlıyor ve ardından Marka kavramı ve özellikle de Marka'nın ekonomik yönü üzerinde duruyor. Bunun sebebi, genelde ve özellikle de Anglo-Saxon Hukukunda, bir mukayeseli reklamın hukukiliğinin Marka kavramı ile ele alınmasıdır. Daha sonra mukayeseli reklamın İngiltere, ve AB'de nasıl değerlendirildiği yasal mevzuat ve uygulamadan emsal kararlar ışığında incelenmeye çalışılmıştır. Sonuçta okuyucunun tarihsel süreç içinde AB'nin ve Birleşik Krallığın mukayeseli reklama bakışı ve günümüzde yaklaşımın ne olduğu konusunda bilgi edinmesi amaçlanmaktadır.

Introduction

Comparison exists in the basics of knowledge. Everything in the universe could be compared with each other and there are no exceptions for human creations. In the commercial world, the importance of comparison is directly proportional with the size of benefit that man can get. For advertising there are no different rules.

Advertising is an important tool for manufacturers who wants to make their products well known and also desired. The definition of advertising according to Bovee is: "Advertising is the nonpersonal communication of information usually paid for and usually persuasive in nature about products, services or ideas by identified sponsors through the various media."

From the first years of advertising until today many methods have been tried but probably the best results came from the method of comparative advertising. Comparative advertising opened the doors of success to every kind of manufacturer, to those who are already the best, or to those who wants to enter the market, or even to those whose products are definitely not better than the ones already exist in the market. Everyone could find a deficient side of its competitor to shore up its claims.

Comparative advertising, in which the advertised brand is explicitly compared with one or more competing brands, has become very popular for the last years. It is quite common to see certain products compared in the media. Paolo G. Garella, and Francesca Barigozzi describes comparative advertising as the practice whereby two products or services are compared, the intention being that the comparison demonstrates desirable features in one seller's goods or services at the expense of the product or service of another business. It has actually been a difficult subject in the advertising sector.

The doctrine today describes the comparison in advertising as any advertising, which expressly or impliedly, specifically or vaguely refers to a competitor's goods or services.[1] The doctrines of different schools[2] created many theories for and against comparative advertising. In current doctrine some argue that comparative advertising is an important source of information and an essential incident of commercial free speech[3], while others show a slight disagreement and support the view of comparative advertising as a way for big companies to deceive their customers[4].

While this was the situation in academic world, presumably it was the same in the world of legal systems. For instance, right in the heart of it, in Europe, while England [5] generally tolerated comparative advertising, Germany had a total opposite approach towards it. The question is, 'what made it so different?' Among many other theories, two are very significant.

The economic theory of Posner[6] puts forward the fact that comparative advertising reduces the search coasts. In his theory it is also a function of trademarks. However, being reducing of search coasts is a good thing, so is the comparative advertising.

On the other hand, the theory which the German system based upon puts forward the facts that why comparative advertising should not be tolerated. According to it, the ones who makes the comparison should not be the advertiser but the consumer. Otherwise, when judging the

[1] G. Dworkin, "'Knocking Copy' Comparative Advertising - A Survey of United Kingdom Practice" [1979] 1 E.I.P.R. 41, at 2.
[2] Some are discussed below.
[3] to see the reasons of the European Commission to justify the Directive concerning comparative advertising look at COM (91) 147 [1991] OJ. C180.
[4] B. Mills, "Comparative Advertising: Should it Be Allowed?' f1995J 9 E.I.P.R. 417.
[5] On the other side of the world, so did United States of America and Canada.
[6] R. A Posner, Economic Analysis of Law, 4th Ed., 1992.

competitor's offer, the advertiser becomes a "judge of the merits of competing products" says Killian. This might lead the advertising to be misleading or disparaging.[7]

We can find three different kind of comparative advertisements today:

(a) Comparative advertisements which refer merely to characteristics of a product, which then refer indirectly to the characteristics of competitive products -'indirectly comparative advertisements';[8]

(b) Comparative advertisements that directly compare characteristics of a product with characteristics of a specifically named or identificly and recognizably presented, competing brand - 'associative comparative advertisements'; [9]

(c) Comparative advertisements that compare characteristics of a product with characteristics of a totally and absolutely unrelated product - 'allusive comparative advertisements'.

Allowance of these three types of comparative advertisements varies from country to country and it would not be wrong to say that until the Misleading Advertising Directive[10] there was no system, which could be called as middle-way. Either all three of them were allowed or none of them.

[7] WIPO, Protection Against Unfair Competition, 1994, p. 62. See also WIPO, Model Provisions on Protection Against Unfair Competition, 1996.
[8] ibid.
[9] ibid.
[10] Directive 84/450 EEC, recently amended with another one: Directive 97/55/E.C.

For example United Kingdom today allows every kind of comparative advertising within a limited frame work, while Germany used to be extremely strict, in fact Germany has the most stringent regulation of unfair trade practices in the world.[11] On result of that Germany still struggles with trying to adapt the new system which the Misleading Advertising Directive regulates.

There is no single source in EU member countries for determining the borders of acceptability as a comparative advertisement but greatest difference occurs with classifying the type of law, which generally regulates comparative advertising. In UK it has been dealt under intellectual property law with Trade Marks Acts in 1905, 1938 and 1994[12], while in others such as Germany it was accepted as part of competition law and has been determined by the Act against Unfair Competition (UWG) on 7 June 1909 (Gesetz gegen den unlauteren Wettbewerb).[13]

Even though this research is about the system in the UK, I will try to make useful comparisons between the UK and Germany , to be able to emphasise what comparative advertisement is really about. In order to do that I will first explain the economic function of trademarks, secondly I will make an examination of the system in the UK, and at the end I will try to explain the European approach.

[11] B. Stekler and F. Bachmann, Comparative Advertising in Germany with Regard to European Community Law, [1997]
[12] In the UK the Advertising Standarts Authority formed also some guidelines beside the legal regulations.
[13] There are also several German Acts that specifically regulate advertising, all concerning consumer protection, such as the Acts on advertising.

Part I. The Economic Function of Trade Marks

1. Function of Trade Mark

This part of the work focuses the economic function of trademarks. Among other rights within intellectual property, trade marks have a less finite character.[14] In liberal economies trade mark owners use their trade marks to differentiate their products from other goods in the market. From an economic approach it is possible to say that the importance of trademarks in the economy and industry is much greater than patents and copyrights.

Cornish[15] distinguishes three functions of trademarks:

a. Origin function: trademarks are indicators of the trade sources from which goods or services are associated.

b. Quality function: trade marks guarantee certain type of qualities which are associated by consumers with the goods or services that has this particular trade mark.

c. Advertising function: trade marks able their owners to make investments in the promotion of their products.

[14] W.R. Cornish, Intellectual Property, 3rd edition p. 515.
[15] ibid, p. 527.

Neither in English doctrine nor in European is there an agreement about what exactly these functions are. Supporters of the first approach argue that the law should only concern itself with the "origin function", which means that the use of trademarks is to tell consumers where the goods or services come from. The supporters of a more modern approach have the tendency of denigrate the 'origin' theories with accepting the fact that the function of the trademarks is indeed the second, which is concerned more with the expectations of consumers.

The conflict among these two have not been resolved with complete satisfaction but the emergence of today's advertising practices[16] created a whole new approach. Competitors in liberal economies are dependent on the process of investment and advertising for establishing and also maintaining their market share.

As a result of that importance, legal systems have accepted different approaches and positions towards trademark protection. The issue is complicated because of the differences in the relationship between registered marks and unfair competition or passing off protection.[17]

Today, which ever of those theories are recognised, none of them is enough to describe the full economic function of trademarks. The true description of the economic function of trademarks is hidden in its economic importance to consumers and producers. In one research paper four positive economic functions of trade marks have enumerated.[18] Even though for every single businessman his trade mark might stand for different functions, but we can indeed limit their

[16] Schechter, The historical foundations of the law relating to trade marks, chapter 6.
[17] W.R. Cornish, Intellectual Property, 3rd edition p. 530.
[18] Higgins and James, The economic importance of trade marks in the UK, Intellectual Property Institute, London.

descriptions according to these four main functions: Reducing associated market costs, improving and preserving quality, encouraging language development and creativity and finally encouraging corporate development.

1.1. Reducing associated market costs

What would a producer do if he wanted to make his brand well known? He would invest money in advertising its name on the market. If there were not any trademarks there costs would have to be paid by the producer over and over again every time a new variation of a product came in to the market. In fact consumers identify and request goods by referring to the trade mark, because a symbol is easier to recognise and remember. Every time consumers see the satisfactory trademark on a new variation of a product, it will be unnecessary for them to look for different brands. On the other hand, repeat purchases are extremely important for most firms to stay in the market, which basically is the exact effect of trade marks to ensure the consumer that the goods bought yield consistent levels of satisfaction through time. As the matter of fact, once consumers become confident that a trademark guarantees a certain level of satisfaction, they will continue buying goods from that producer.[19]

1.2. Improving and preserving quality

Consumers usually do try many brands before they get confidence in the goods sold by one particular producer. The more consumers there are who have confidence in the particular brand the better the reputation of that brand will become. As it has been mentioned above, the

[19] ibid

enormous importance of repeat purchases will play a key role here. There is no doubt that establishing a better reputation takes time and through this time considerable amount of money has to be put as investment to that particular brand. This is what makes the trademarks useful in guaranteeing the quality. The producer will be under burden of enhancing and maintaining it's product's quality, in order to keep the existence level of repeat purchases.[20]

1.3. Encouraging language development and creativity

Today there are certain trademarks, which the world knows and recognises them as distinct words and even some of them are already in the dictionaries. The trade marks such as 'Xerox', 'Hoover' Thermos', 'Frigidaire', 'Sellotape', 'Formica', 'Terylene' or 'Aspirin' are eventually become generic terms for every day objects.[21] A novelty is the inline skate trade mark of 'Rollerblade' which is indeed more an original name than just a description name as 'inline skates'.

An interesting question which we can ask could be whether a trade mark use by a dictionary would infringe that trade mark or not. In United Kingdom under the Trade Mark Act 1994, the registered proprietor can object to any kind of descriptive use unless the user can justify what he is doing as an honest commercial practice.[22]

[20] Contrary to the role of trade marks in protecting consumers' expectations, trade marks have often been criticised as inducing producers to spend money on creating a superior image of high quality that enables monopoly rents to be obtained by deflecting consumers from lower-priced substitutes of equal or even higher quality. See R. A. Posner, Economic analysis of law, 1992, p. 370
[21] William M. Landes and Richard A. Posner, Trade Mark Law: An economic perspective, 30 J. Law & Econ. 265(1987) at 270.
[22] TMA 1994, ss 10(1), 11(2).

1.4. Encouraging corporate development

It has been argued that the granting of monopoly rights through trademarks was one of the factors, which allowed for the development of the modern corporation.[23]

As it is mentioned above despite the lack of consideration of trademarks' economic importance in the academic literature, trademarks do involve a host of interesting economic issues. In the writer's view the main economic function of a trade mark is to be found in the combination of the first two, which is to economise on consumer search costs by giving assurance of uniform quality.

2. Trade Marks and Competition

> *"Competition of one form or another is a corner stone of the modern consumer society; it is seen every day in the market place struggle for our custom as consumers of goods and services, but -why has it become such an entrenched and almost revered feature of our economic landscape?"*
>
> C.D.G. Picketing, Trade Marks In Theory and Practice

The neo-classical economic theory answers that question, which states that social welfare will be maximised in the presence of perfect competition.[24] With other words, if resources will be allocated efficiently between different goods and services in the precise quantities consumers

[23] Wilkins, M. (1992), The neglected intangible asset: the influence of the trademark on the rise of the modern corporation, Business History, 34,66-95.
[24] R. Whish, Competition Law, 1993.

wish[25], and if the goods and services will be produced at the lowest possible cost, so than as little of society's wealth as is necessary is expended in their production.[26]

In a market with perfect competition, there will not be any barriers to entry nor to exit, all consumers will be well informed about the goods and there will be also plenty of sellers to satisfy the demand. Unfortunately there is no such a market in existence, but we can see a lot of perfect monopolies existing in different markets, where one seller has control over the entire supply of a particular product.

The reason why trade marks are important as well as interesting from an economic perspective, and do many times result the clash between economic theory and commercial reality; is because there system is in the middle of perfect competition and perfect monopoly.[27]

Trademarks always play a head role by making the products easier recognizable of the variety of same type of products in the market, upon which competition is based.

[25] as expressed through the price they are prepared to pay in the market.
[26] R. Whish, Competition Law, 1993, at 1-2.
[27] Picketing, Trade Marks In Theory and Practice, p. 73

3. Trade Marks and Monopoly

What is the legal definition of monopoly? Simply said, it is the right to exclude others from the use of particular resource.[28] According to this description, could trademarks be used, when legally protected, as instruments of monopoly? The answer is 'yes'. Trademarks give indeed to their owners an element of market power, who then exclude others from the use of particular brand through simply using and defending the trademark.

4. Trade Marks and Advertising

Advertising was unnecessary and irrelevant to the medieval organisation of trade, simply because most trading was face to face. Until the end of last century, goods were sold in the form of bulk commodities and consumers were assured of their quality through the reputation of merchant selling the goods or more likely in the open markets by testing the goods before purchase. This was changed in late nineteenth century in United States of America. A good example is QUAKER oats.[29] Oats are a paradigm fungible commodity previously sold by retailers in bulk. Henry Parsons Crowell package them in boxes and attach a trade mark, QUAKER, which captured the characteristics which he wished to associate with the product. Furthermore he guaranteed the oats, through the use of his device, to be of consistent quality and quantity and indulged in an advertising campaign to promote his particular brand of oats.

[28] *ibid*, p.74
[29] Pickering, Trade Marks In Theory and Practice, p.41.

Advertisements are the areas where trademarks meet probably their most economic significance. The connection between trademarks and advertising is easy to spell out: "if advertising is to be effective, there must be a convenient link between the advertising and the product which is promoting. This is provided by the products' trade mark."[30] It is significant, as well as interesting, that when unfairly competitive practices are alleged, it is mostly the trade mark which is infringed rather than the related advertising being copied.[31] Indeed it can even be said that trade marks are a species of advertising in that they "both share three fundamental characteristics: brevity, continuity of use and control".[32]

4.1. Different Kinds of Advertising

The writer believes it is important at least to mention different kinds of advertising which might well occur in the market. They can be broadly classified as follows[33]

(a). The functional advertisement: where buyers can fill in a coupon for a leaflet or money back or free sample of the goods.

(b). The descriptive advertisement: where advertisement describes the product to the consumers.

[30] ibid, p.78.
[31] R. S. Brown, Advertising and the public interest: Legal protection of trade symbols" (1948).
[32] T. Martino and W. Ullah, "The quality guarantee function of trade marks: An economic view point" 1989 EIPR 267.
[33] Lane's Advertising Administration, 1962, p. 17.

(c). The reminder advertisement: where advertisers put their well-known brand name on advertisement to keep its place on buyer's conscious'.

(d). The prestige advertisement: where the organisation (manufacturer) is advertised rather than the product it self.

(e). The humorous advertisement: where humorous is used to grab the attention consumers.

This types of advertising can be used for different purposes. There are however various areas which the advertisement can aim at. These are:

1. consumer advertising
2. distributor advertising
3. retail advertising
4. technical advertising
5. financial advertising
6. entertainment advertising
7. computerised advertising
8. co-operative advertising
9. advertising by governments and public boards.

It is obvious that the economic importance of trademarks grows with the time, directly proportional to the ways that they have been used. Most efficient way to publicise a trademark in the market is through advertising and probably most efficient type of advertisement is indeed comparative advertising.

In the next chapter English approach will be examined, which regulates comparative advertising under trademark law but before doing so, some explanations of some commonly used terms in the chapter shall be given for the readers to be able to follow next chapter easier.

Trade libel	: to publish in print,writing or broadcast through radio, television or film, an untruth about another which will do harm to that person or his/her reputation.
Trade puffery	: the exaggeration of the good points of a product.
Malicious Falsehood	: a conscious, intentional wrongdoing.
Interlocutory injunction	: temporary court decisions, ordering someone to do something or prohibiting some act after a hearing.

Part II - Comparative Advertising in England

In this part the writer will start with giving a broad description of comparative advertising and questioning comparative advertising as such, and examine some case decisions which have significant importance.

1. The Merits of Comparative Advertising

Following the 'economic theory' of Posner[34], there are today broadly two reasons that support permitting comparative advertising. First, it is thought to enhance the information upon which the consumers base their purchasing decisions thereby enabling a more rational and informed choice. If two or more products are compared, it seems self evident that consumers will be able to differentiate between and evaluate them on meaningful and objective criteria rather than having to rely on possibly impressionistic recollections of competitor's publicity.

However, although this sounds appealing and indeed manifestly beneficial, it is not clear whether such benefits have been conclusively proved. Although the growth of "consumerism" may have led to the need for more objective advertising, the overall assumption is unrealistic. Comparative advertisements are arguably no different from other (non-comparative) advertisements, in that they share the primary goal of selling the product that is being advertised; educating consumers must

[34] R. A. Posner, Economic Analysis of Law, 4th Ed, 1992.

only be a secondary concern "in so far as it can act as a persuasive element in the advertisement".[35] The information is therefore not in reality framed with the consumer's interest in mind. Nevertheless, to the extent that consumer's ability to assess the relative merits of two products is concerned is facilitated, there must be some benefit. A more essential factor is that it has never been empirically shown that comparing an advertised product with its competitors will benefit consumers, its proponents are again proceeding on the basis of assumption.[36] Indeed Mills uses the example of Proctor and Gamble's campaign against Unilever's product 'Persil Power' to illustrate how consumers simply did not believe the claims made in their advertisements and so "are not always taken in by the claims of advertisers".[37] Equally though there is no evidence to disprove the assumption. In any event, these factors cannot be seen as reasons in themselves for prohibiting comparative advertising, but rather they call into question the self-evidence of the benefits that this variety of advertising brings to consumers.

The second advantage of comparative advertising is thought to be that it assists the entry of a new product into the market, so furthering the interests of the advertiser and at the same time increasing competition, since some even perceive the inability to name one's competitor in an advertisement as being a distortion in the competitive market.[38]

The important distinction is between advertisements that seek to 'associate' the products in question and those that 'differentiate'. For example in the *Duracell International Ltd. v. Every*

[35] Report of the EC Committee on the Environment, Public Health and Consumer Protection see COM (91) 147 final..
[36] ibid
[37] B. Mills, Comparative Advertising: Should t be allowed?, [1995] 9 EEPR 417, at 419.
[38] V. Pasek, Are Comparisons Odious?, August 1988, p. 46.

Ready Ltd.[39] case, the defendant was attempting to differentiate itself from the other leading brand Duracell; where as in *Chanel* v. *Triton Packaging Ltd.*[40] a newcomer wanted to associate itself with the reputation of its competitor's famous brand of fragrance. What is important is the exact brand positioning that this allows the advertiser to achieve.

The problem is that what to one producer may be legitimate brand positioning may to another be illegitimate free riding. The manufacturer of a successful brand will generally have achieved the reputation of his product with the consuming public through diligent market research, investment in development and quality control, as well as advertising and distribution, to ensure that its intended purchasers have the opportunity buying it.

On the other hand, as well as harming the interests of the manufacturer of the object of comparison, opponents of comparative advertising also see the practice as 'detrimental' to consumer decision-making. Since two or more necessarily similar products are named in an advertisement, there is, it is argued, a risk that consumers will once again be confused as to the nature of the products in question. At best, consumers will be none the wiser; at worst, they will purchase the wrong product.[41] Nevertheless, we can say that consumers are generally more intelligent than the hypothetical 'moron in a hurry'[42], and in any event such an argument presupposes the incompetence of

[39] [1989]FSR87.
[40] [1993] RFC 32.
[41] A. Robin and H. B. Barnaby, Comparative Advertising: A Sceptical View, (1977) p. 355
[42] *Morning Star Co-operative Society Ltd v. Express Newspapers Ltd* [1979] FSR 113, at p. 117.

advertisers; surely the whole exercise has been self-defeating if the consumer has been left in any doubt about which product the advertiser wants him to buy?

Alternatively and more realistically, there is a danger of confusing the consumer with 'information overload'[43] through 'presenting him with irreconcilable claims'[44] with the consequence that the efficacy of the decision making process is reduced.

Finally, a factor essential to the validity of arguments supporting comparative advertising is that it must be 'truthful'. Any advertisement that deliberately deceives consumers is obviously unacceptable, and this is even more so, when the deceit also injuries the reputation of a third party trader. There are variety of sanctions dealing with such behaviour[45], in particular the injured producer may bring an action in trade libel.[46] On the other hand, the practice of "trade puffery" is one of which advertisers, consumers and courts[47] alike take a robust view. In comparative advertising, of all forms of advertising, one must be careful that it does not convey "misleading information as a result of selective comparison"[48] and that one is aware of the potential unfairness to the compared product resulting from something that is not literally untrue; a balance must be struck, bearing in mind the motives of the advertiser.

[43] B, Mills, Comparative Advertising: Should it be allowed?, [1995] p. 418.
[44] G. Dworkin, 'Knocking Copy' Comparative Advertising: A Survey of UK Practice, [1979] EIPR 41.
[45] ibid.
[46] See Compaq Computer Corp. and Compaq Computer Ltd. v. Dell Computer Corp. Ltd. and Dell Computer Corp. [1992]FSR93.
[47] It was first recognised in *White v. Mellin* [1895] AC 154 and recently re-affirmed in *Barclays Bank plc. v. RBS Advanta.*
[48] O. Dworkin, 'Knocking Copy' Comparative Advertising: A Survey of UK Practice, [1979] EIPR 41.

The practical objections regarding the potential risk to the interests of consumers and the producers who are the object of comparison may be overcome if appropriate safeguards could be put in place.

In that sense, it would be useful to examine the use of trademarks in comparative advertisements according to case decisions.

2. Use of unregistered trademarks

There is in fact the risk of an action for passing off for those who use a competitor's unregistered trademark in a comparative advertisement; where plaintiff can show that there is a misrepresentation. In other words that the customers are being deceived in to believing that the defendant's product is that of the plaintiff.[49] There are two examples that I would like to mention, where two brands are compared and consumers do not know whether both brands emanate from the same manufacturer or from different ones:

2.1. McDonald's Hamburgers Ltd v. *Burger King (UK) Ltd. [1986]*[50]

Burger King used the phrase *'Not just Big, Mac'* in its advertising campaign for the *'Whopper'*. McDonalds brought a passing off action against them. Even though it was not a directly (associative) comparative advertisement, the advertisement still did include a reference to that

[49] B. Mills, Comparative Advertising: Should t be allowed?, [1995] 9 EIPR 417, at 420.
[50] *McDonald's Hamburgers Ltd. v. Burger King (UK) Ltd.* [1986] FSR 45.

day's leading competitive brand. Burger King was seeking to associate its burger ''*Whopper'* with the MacDonald's' well-known *'Big Mac'.* Although it was clear from the text of advertisement that *'Whopper'* was only available in Burger King restaurants and it was clear from the content of the product *'Whopper'* that it was not a variation of *'Big Mac'*, court still held that there was a risk of confusion for customers.

2.2 . Ciba Geigy plc. v. *Parke Davis & Co. Ltd. [1994]*[51]

Parke Davis, on the other hand, avoided a potential claim for trademark infringement by referring to Ciba Geigy's trademark in an indirect manner. Ciba Geigy had for many years used the device of an apple in connection with their branded prescription drug 'Voltarol'. The mark 'apple' was not registered as a trademark. In an advertisement directed at doctors who prescribed drugs, the defendant used a picture of an apple with a bite taken out of it with the caption 'Diclomax retard takes a chunk out of your prescribing costs'. 'Diclomax retard offers everything you'd expect from diclofenac retard [the generic name of the drug] with one crucial difference. The price.' The association with the leading brand was made through the use of the apple but there was no specific reference to the brand name per se. Ciba Geigy was unable to take successful legal action based on trademark infringement because its apple mark was not registered. Ciba Geigy tried to based its claims on passing off and injurious falsehood (concerning allegedly false information in the advertisement[52]), it was unsuccessful because according to the decision there was no likelihood of confusion.[53]

[51] *Ciba Geig plc. v. Parke Davis & Co. Ltd. [1994]* FSR 8.
[52] this research, however, do not cover false information used in the advertisements.
[53] *Ciba Geigy plc. v. Parke Davis & Co. Ltd. [1994]* FSR 8.

What is particularly important about this case is that any comparison of competing products using unregistered trade marks should leave the consumer in no doubt as to the origins of each product or an action of passing off may follow.[54]

[54] B. Mills, Comparative Advertising: Should it be allowed?, [1995] p. 421.

3. Use of registered trademarks

3.1. Background

The legal aspect towards the use of registered trademarks in comparative advertising has changed with the time. During the period of Trade Marks Act 1905[55], it was allowed. But with the new legislation of 1938 Act[56] it was rather more discouraging than favoring.

3.1.1. Trade Marks Act 1905

Even though under the legislation of 1905 Act, comparative advertising was allowed, a particular change with a new Act was due to come, as a result of the case of *Irving 's Yeastvite Ltd. v. Horsenail.*[57]

The plaintiffs were the registered owners of the trademark 'Yeast-Vite' in respect of pharmaceutical preparations. The defendants sold a preparation labeled "Yeast Tablets a substitute for 'Yeast-Vite'". This preparation was not that of the plaintiffs and not similar to their composition. The defendant also exhibited in his shop windows a placard containing the words "Do not buy a name - the formula of patent medicines is anyone's property - We have a substitute for the following- 'Yeast-Vite',..." etc. The plaintiffs sued the defendant for infringement of their

[55] *Yeastvite Ltd. v. Horsenail,* (1934) 51 RFC 110.
[56] Trade Marks Act 1938, section 4 (l)(b).
[57] (1934) 51 RFC 110.

Trade mark and for passing off. Bennett, J. granted an interlocutory injunction against passing off, but refused an injunction against infringement.[58] According to the decision of the court, the use of the name 'Yeast-Vite' by the defendant was not 'a trade mark use' having regard to the Trade Marks Act 1905. The plaintiffs filed an appeal against the order-refusing injunction in respect of infringement. The Court of Appeal dismissed the appeal and the House of Lords concurred in the decision.

Yeast-Vite Ltd. said that section 39 of the Trade Marks Act 1905 confers an exclusives right to the use of the trade mark upon or in connection with the goods in respect of which it is registered, and that therefore, where the trade mark is a word, that word cannot be used by anyone else upon or in connection with such goods even though the use is in a phrase or sentence intended to indicate that the goods are not goods originating with the owner of the registered mark.[59]

Perhaps the interpretation above made more sense to Parliament, so that use of the plaintiff's trademark was regarded as 'unfair' and a clause was added to the Bill whereby use of registered trademark in an advertisement to the public in the course of trade would constitute trademark infringement.

[58] 50 R.P.C. 139
[59] ibid, Lord Tomlin, at 114.

3.1.2. Trade Marks Act 1938

At that time (before the 1994 Trade Marks Act) a trademark owner, whose trademark has been used in an advertisement for a competing product, had three ways to choose from, to obtain a remedy. Either he could sue for malicious falsehood, if applicable, or he could sue for passing off or he could sue for registered trademark infringement[60].

Malicious falsehood, is still available in the same form today, was not an easy ground on which to success. It required proof of malice on the part of the defendant.[61] Moreover, it suffered from practical limitations if immediate relief was needed, because of the general rule that no interlocutory injunction would be granted if the defendant intended to justify his statements.[62]

On the other hand, passing off requires plaintiffs prove of a reputation sufficient for members of the public to be misled by the defendant's conduct into thinking that they are securing the goods or services of the plaintiff. Besides it is not enough for the public simply to be confused about whether it is getting the plaintiffs or the defendant's goods.[63]

The other way to obtain a remedy was to sue for trademark infringement under the Trade Marks Act 1938. In that case the plaintiff was in a very strong position.

[60] as mentioned in 3.1.1.
[61] R Meade, The Yearbook of Media and Entertainment Law 1997/1998, HI, at 247.
[62] See e.g. *Bestobell Paints Ltd. v. Biggs* [1975] FST 421.
[63] See *Evian v. Bowles* [1965] RFC 327 and also see *Rolls Razor* v. *Rolls (Lighters)* (1949) 66 RFC 137.

In the *Bismag Ltd. v. Amblins (Chemist) Ltd.*[64] plaintiffs were the registered proprietors of the trademark 'Bisurated' in class 3 in respect of a medicinal stomach powder for human use and for chemical substances prepared for use in medicine and pharmacy. They used to mark as 'Bisurated Magnesia' on a proprietary medicine sold under a published formula. Defendants were manufacturing chemists and retailers and sold plaintiffs' goods and also made and sold a similar preparation, which they called 'Bismuthated Magnesia'. They published a pamphlet in which they set out in two columns in one under the heading "List of advertised patent medicines sold by us", prescriptions including *(inter alia)* "'Bisurated Magnesia Tablets', with an analysis and price and in the other under the heading "Amblins" medicine (Brand) prescriptions", opposite to the "Bisurated Magnesia Tablets" the words "Bismuthated Magnesia Tablets" appeared with similar analysis and a price which was much lower than the other. The formula published in both lists was identical. Plaintiffs brought an action for infringement of their trademark and passing off.

It was held; that the word 'Bisurated' was not used in the pamphlet 'in relation to' the defendants' goods but in relation to the plaintiffs' goods, and that use in relation to the plaintiffs' goods was protected by section 4(3) of the 1938 Act, and that the action failed in respect of infringement of the trade mark 'Bisurated'.

Plaintiffs appealed against the decision in respect of infringement and the appeal was allowed. It was a two against one decision by the Court of Appeal[65] where the Master of Rolls, Sir Wilfred Greene[66], stated that it was Parliament's intention that this 'obscure' section[67] should prevent the

[64] (1940) 57 RPC 209.
[65] Lord Justice Mackinnon has dissented
[66] *Bismag Ltd. v. Amblins (Chemists) Ltd.* (1940) 57 RFC 209, at 229 and further.
[67] section 4(l)(b) of the 1938 Act.

defendant from using the plaintiffs trade mark in its pamphlets and its posters 'for the purpose of advertising and compendiously describing the virtues of their own[68] goods and thus obtaining for themselves a benefit from the reputation enjoyed by the plaintiffs goods' and sold under the plaintiffs trade mark. In other words, Sir Wilfred Greene believed that it was Parliament's intention to prevent third parties from using their competitors registered trademarks in their own advertisement, thereby obtaining an unfair advantage.[69]

Bismag v. Amblins was then for the next 50 years a decision to follow by the English courts. Nevertheless, the matter was reviewed by the Mathys Committee in 1974,[70] and outcome was rather doubtful towards trademark owners legal shield.

An important decision took the same line, the case *of Duracell International Ltd. v. Every Ready Ltd.* [71], where the plaintiffs had registered the trade mark DURACELL and get-up of batteries in colours black and copper in respect of batteries. The registrations had been in existence for seven years or more. The defendants had issued advertisements, which contained a monochrome picture of a battery with words "the Gold Seal LR 20 battery, outlasted the equivalent sold by Duracell Batteries Ltd., in every single appliance". The plaintiffs said that this is an infringement of their registered trademark. The defendants stated that the registered trademark was not a trademark and it was not distinctive, that registration of the battery mark was obtained by fraud and they claimed invalidity of registration.

[68] the defendants
[69] B. Mills, Comparative Advertising: Should it be allowed?, [1995] 9 EIPR 417, at 421
[70] British Trade Mark Law and Practice (Mathys Commitee)
[71] [1989] FSR 87

The court stated that Ever Ready had not infringed that plaintiffs trade mark, because they referred to their competitor's corporate name rather than their registered trademark, 'Duracell'. Nevertheless, even though Duracell Batteries Ltd. had registered its famous get-up, the registration was limited to the colours black and copper and since the advertisement picture used by Ever Ready was black and white, court held that Ever Ready have not infringed this mark either.

In contrast, at this time, the court followed Bismag Ltd. v. Amblins (Chemist) Ltd.[72] case and ruled in favour of plaintiff in the case of Chanel Ltd. v. L 'Arome (U.K.) Ltd [73], when trade marks law was due to change.[74]

The plaintiffs were the registered owners of the trade marks "Chanel", "5 Chanel", "No. 19", "Chanel No. 19" and 'Coco' in respect of perfumes, toilet waters and other cosmetic products. The defendants manufactured and sold imitations of the plaintiffs various perfumes. They sold their perfumes through private individuals by a marketing method known as multilevel direct selling. Each distributor was supplied of the defendant's perfumes identified by numbers along with the trade literature. The distributors were also furnished with a confidential manual, which inter alia contained a comparison chart containing the numbers of the defendant's perfumes with the corresponding brand names of well-known perfumes including those of the plaintiffs.

[72] (1940) 57 RPC 209.
[73] (1991) RPC 335.
[74] As mentioned below, the White Paper (Cmnd 1203) and the Trade Marks Act 1994.

Plaintiffs claimed for trade mark infringement and the court held that; the comparison chart contained in the manual was advertisement material, even though a whole manual was not such a material, and that the comparison chart was issued to the public with in the scope of section 4(l)(b), and finally that the defendants infringed the plaintiff's registered trade marks under section 4(1)(b) but not under general provision of section 4(1).

The defendants appealed against the decision[75], but Court of Appeal dismissed the appeal and held that the comparison chart was indeed an advertisement and description in the chart were freighted with goodwill attached to the brand names, and also that the comparison chart was issued to the public within the meaning of section 4(1)(b) of the 1938 Act and the words "the public" meant a community or a section of it and did not mean consumers as opposed to traders in goods.

Mills[76] finds the decision surprising on the ground that the court decided that the manual was an advertisement, where in the Duracell Batteries Ltd. case[77] the court was averse to find the get-up infringing.

Another interesting decision on the same lines is Compaq v. Dell[78]. The defendant was first enjoined and then fined for contempt of court following the publication of advertisements, which compared the price of Compaq computers with Dell computers.

[75] Chanel Ltd. v. Triton Packaging Ltd. and Another [Formerly L 'Aroma (U.K.) Ltd.], *(1993) RFC 32 C. A.*
[76] *B. Mills, Comparative Advertising: Should it be allowed?, [1995] 9 EIPR 417, at 422.*
[77] *[1989]FSR87*
[78] Compaq Computer Corp. and Compaq Computer Ltd. v. Dell Computer Corp. Ltd. and Dell Computer Corp. *[1992] FSR 93.*

Both companies (Compaq Computer Corp. and Dell Computer Corp.) are US-based manufacturers of computers and both operate in the United Kingdom through a wholly owned UK subsidiary[79] (Compaq Computer Ltd. and Dell Computer Corp. Ltd.).

The plaintiffs sought an interlocutory injunction against Dell to restrict and control publication of two magazine advertisements comparing both systems. Dell used the plaintiffs' trademark *Compaq* in all the advertisements to describe and compare the plaintiffs' computer system.

There were three different advertisements. One of them only appeared in a US magazine, which had a small circulation in the UK, so the plaintiffs chose not to rely on it. The other two were, "It doesn't compute" and "What flaw in Compaq logic circuits"; for which Compaq sued Dell for infringement of their registered mark and injurious falsehood. The comparison was on the price basis with an accompanying text stating "basically and essentially the same".

Aldous J awarded an injunction, where he stated many restrictions on published advertisements. The important statement from our point of view was, that according to Aldous J both advertisements used the plaintiffs' registered mark as a trade mark in respect of the plaintiffs' computers and that there was a clear case of infringement.[80]

In 1990, the Government issued a White Paper on reform of the Trade Marks Law,[81] with the direct influence of the Directive 84/450 EEC where they recommended that the section 4(1)(b) of

[79] Jennifer Duxbury, Compaq v. Dell: Does it Compute?, [1992] 2 EIPR 61
[80] Amanda Michaels, A Practical Guide to Trade Mark Law, 1996, p. 84
[81] Cmnd 1203.

the 1938 Act to be changed with the replacement of such provisions, which would allow a trademark owner a restricted use in advertising of a competing trademark. The restrictions were the ones, which were contrary to honest practices in industrial and commercial matters, and the ones, which would take an unfair advantage or be detrimental to the distinctive character or repute of a mark. When the Trade Marks Act 1994 came into force, section 10(6) was indeed the change mentioned in the White Paper.

3.2. Trade Marks Act 1994

3.2.1. The proviso

Trade Marks Act 1994, s. 10(6):

"Nothing in the preceding provisions[82] of this section shall be construed as preventing the use of a registered trade mark by any person for the purpose of identifying goods or services as those of the proprietor or a licensee.

But any 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."

The structure of the proviso consists of two parts, where a general provision allowing comparative advertising (which inherently uses the trade mark to identify the goods or services as those of the proprietor or licensee)[83] and where a provision excluding comparative advertising which is not in accordance with honest practices and so on.

Section 10(6) has an unusual history compared to the rest of 1994 Act[84], which follows the Directive's[85] terms closely. Section 10(6) on the other hand, has no direct match in the Directive and was introduced by the UK Government, on its own initiative, purportedly on the basis of Article 5(5) of the Directive.[86] According to Maede, there is some doubt whether this course was

[82] sections 10(1), 10(2) and 10(3) on infringement.
[83] Richard Meade, Comparative Advertising in the UK-the New Law in its Infancy
[84] ibid.
[85] 89/104/EEC of 21 December 1988.
[86] Richard Meade, Comparative Advertising in the UK-the New Law in its Infancy

justified, since it appears to have been the intention of the Directive that comparative advertising should not in any event be treated as being the kind of use, which can be regarded as infringing a registered mark.[87]

Section 10(6) lacks equivalents in other EU trademark laws.[88] The first part of provision is totally 'home-grown'[89], while the second part is an amalgam of expressions adopted from Articles 5(2) and 5(5) and 6(1)[90] of the Directive.

However, the intention of this proviso is to allow comparative advertising but also provide some safeguards for owners of registered trade marks.[91] To be able to understand the precise operation area of section 10(6), we need some guidance of several significant case decisions.

3.3. Case Decisions

Following the cases gives a general idea of the way in which the law is heading in this field, but there are a number of unresolved issues which are likely to arise in the future, and a number of areas where there are respectable arguments that the flow has gone too far towards the defendant's position, even allowing for the general policy of section 10(6) being in favour of permitting this kind of advertising.

[87] See Reg. 9(2) of the Community Trade Mark Regulation and the Minutes attaching to it.
[88] Later in the dissertation last statement will be discussed with comparison.
[89] The expression used by Laddie J. in *Barclays Bank PLC v. RBS Advanta* [1996] RFC 307 at 313.
[90] Art. 6(1) is the source for the expression 'honest practices', and itself comes from Art. 10 *bis* (2) of the Paris Convention for the protection of Industrial Property.
[91] House of Lords Public Bill Committee, Hansard, col. 42, January 18, 1994.

3.3.1. *Barclays Bank PLC* v. *RBS Advanta* [1996][92]

The plaintiff's complaint was for an interlocutory injunction to restrain the defendant from distributing further copies of leaflets advertising its new credit card by reference to the plaintiffs mark *Barclaycard.* The defendant was a joint venture between the Royal Bank of Scotland and the Advanta Corp. of USA. In one leaflet there was a comparison between interest rates and annual fees for several credit cards including the plaintiffs, which was referred to by name. On the other hand, another leaflet, which did not mention the plaintiffs trade mark, the defendants listed '15 ways the RBS Advanta Visa card is a better credit card all round'. Barclays sued the defendants for trade mark infringement, arguing that their trade mark had not been used in a honest way within the meaning of section 10(6) of the 1994 Act, since the defendants did not list the services provided by Barclays and not by the defendant, or services provided by them both, because otherwise as the plaintiff has also accepted that the table was alone unobjectionable as the interest rates shown were correct and fairly compared.

The court held that the proviso should not be construed in a way, which effectively prohibited all comparative advertising.[93] The onus is on the registered proprietor to show that the factors exist, which are indicated in the proviso. The judge also rejected the plaintiff's suggestion that mere use of the trademark in a trademark sense could not be honest. The test of 'not in accordance with honest practices' was an objective one. The court held as mentioned above, that mere trade

[92] RPC 307.
[93] ibid.

puffery even if uncomfortable to the registered proprietor did not bring the advertising within the scope of trademark infringement. However, the test was, whether a reasonable reader would be likely to say, on being given the full facts, that the advertisement is not honest (for example because it is significantly misleading), if the answer is yes, the use of the mark is an infringement. A use of a trademark in a trademark sense could still be honest. The nature of the goods or services may affect the reasonable perception of what advertising is honest. But even advertisement, which is in breach of industry-imposed codes of advertising conduct, may be regarded as honest.

The plaintiff had sought to assess honesty by reference to the provisions of the Consumer Credit Act 1974 and the Consumer Credit (Advertisements) Act 1989, but this approach was firmly rejected. While rejecting this approach, the learned judge made it clear that the degree of hyperbole acceptable before an advertisement became misleading would vary. What would be acceptable in a used car advertisement might not be for a medicine.[94]

On the facts of the case, the court found that the use had been honest, since the reasonable reader would not understand the advertising as meaning as there were no features of the plaintiff's service which were better than the defendant's. Laddie J said that the purpose of section 10(6) was to allow comparative advertising[95] as long as it was honest. Laddie J also stresses in the decision the importance of the phrase 'in accordance with honest practices' and suggested that the second

[94] Tamara Quinn, Comparative Advertising, [1996] 6 EIPR 368, at 369.
[95] see also the debates on the Trade Marks Bill, *Hnasard,* 18 January 1994, House of Lords Public Bill Committee

part of the proviso, 'taking unfair advantage of, or being detrimental to, the distinctive character or repute of the trade mark' would add nothing of significance in the majority of cases.

3.3.2. *Vodafone Group plc* v. *Orange Personal Communications Services Ltd.* [1997][96]

In *Vodafone,* the case was about the mobile phones. In a series of advertisements Orange was claiming that 'On average, Orange users save £20 every month compared with Vodafone and Cellnets' standard tariffs'. Vodafone and Cellnet are registered trade marks. Vodafone sued under section 10(6) and for malicious falsehood, alleging that Orange knew the statement to be false, or was reckless as to its truth. Meanwhile, Cellnet decided not to sue Orange, but to retaliate with its own advertising instead

The case has some interesting and important points; first of all it highlights the differences between malicious falsehood and trade mark infringement, in both legal and practical terms.[97] The main issue in the case was what statement complained of meant. Vodafone's claim was based on the meaning that if Vodafone users would switch to Orange, they would pay £20 less per month on average. On the contrary, Orange answered that it meant that present Orange users were £20 a month better off on average then they would be if they made the same calls on Vodafone.

[96] [1997] FSR 34.
[97] Richard Meade, Comparative Advertising in the UK-the New Law in its Infancy.

In the law of malicious falsehood [98] there is a rule known as the 'one-meaning rule', which the advertisement might be understood differently by different people, but in the eyes of the law there is a single meaning which must be decided upon, and truth and falsity tested against that.[99] To the eyes of a trade mark lawyer, who is familiar with the law of passing off, the one-meaning rule might be strange, and that was emphatically Jacob J's view in Vodafone. He held that under section 10(6) a statement is actionable if significantly misleading to a substantial proportion of the reasonable audience, the one-meaning rule does not apply. [100] The result is that liability under section 10(6) is easier to establish than in malicious falsehood, even leaving aside the need to prove malice. [101]

The other interesting aspect of the Vodafone case was the way in which the parties approached the question of proving the truth or falsity of the statements concerned, both before and in the course of the litigation. Before running the campaign in question, Orange hired the well-known accountants Price Waterhouse[102] to check the arithmetic and review the basis of the extremely complex calculations used. Orange's pre-launch calculations were based on an assessment of detailed data about its own users' call patterns. Orange had to use its own data, because naturally it had no access to Vodafone's figures, save that a very general level figures were available from company reports, the trade press, and the like. Similarly, before the litigation began, Vodafone had its own figures as a basis for its complaint, but not Orange's data. In the course of the action, as result of discovery and the exchange of experts' reports, each side obtained the other's data and analysed them extensively.

[98] and defamation generally
[99] See e.g. *Charleston* v. *News Group* [1995]
[100] [1997] FSR 34, at 39.
[101] Richard Meade, Comparative Advertising in the UK-the New Law in its Infancy, HI YMEL 1997/1998 247
[102] Now PricWaterhouseCoopers.

At the trial, there was a great deal of forensic evidence on these data, which, as a whole, were not available to either side or to the public at the time when campaign was launched.

In his decision, Jacob J agreed with the outcome *of Barclays* case, he confirmed that the onus was on the plaintiff to show that the use of the trademark falls within the qualification of section 10(6). He stated that the test of honesty is objective, and it will be satisfied if it can be shown that "a comparison is significantly misleading on an objective basis to a substantial proportion of the reasonable audience."[103]

At the end, Jacob J. accepted Orange's meaning, concluded that no one was misled, and further found that Vodafone had not proved falsity even on the meaning for which it contended.

3.3.3. *British Telecommunications PLC v. AT&T Communications (UK) Ltd.* [1996][104]

In June 1996, the defendant AT&T Communications (UK) Ltd. launched its residential telephone service in the United Kingdom. In its advertising campaign, the defendant published a series of advertisements, brochures, and the like, comparing its prices to those of BT, by the reference to BT's registered trademark, 'BT'[105]. BT claimed that AT&T's comparative advertisement was false or seriously misleading in a number of respects. There was however no question but that

[103] [1997] FSR 34, at 90.
[104] High Court (Chancery Division), December 18, 1996; Michael Crystal Q.C. (sitting as a deputy judge)
[105] Registered in respect of telecommunications services.

most of the advertising was 'puff [106], of the nature of a general assertation that AT&T's services were cheaper than those of BT, but there were also a number of more specific statements of which BT complained. An example was a statement that AT&T was 'up to 40% cheaper' on international and domestic long-distance calls than BT. There was a dispute on the evidence whether AT&T's calls could ever be 40 per cent cheaper, but at its highest, AT&T was 40% cheaper on a small number of international calls, less than 40 per cent cheaper on most international calls, and was never 40 per cent cheaper on domestic long distance calls, although it was cheaper to some extent on many of them. BT contended that the maximum saving available at the time the advertisements came out was 39 per cent.

The judge dismissed BT's complaint as unarguably bad in relation to this assertion by AT&T, for two reasons. First, he held that the statements all had to be read in context, and that the context was that of 'puffing' literature, to that the statement did not 'really' mean that there were savings of up to 40 per cent, only that AT&T was cheaper in general. Secondly, he held that the statement was true: AT&T was up to 40 per cent, even if BT were right and the maximum saving was 39 per cent-39 per cent was 'up to' 40 per cent.

The other important feature of the BT case was that the judge considered and rejected the contention by AT&T that the *Bestobell v. Biggs* rule against interlocutory injunctions in malicious falsehood cases where justification is relied upon also applied in relation to claims under section 10(6). Although the judge found that the advertisements were not significantly

106 Richard Meade, Comparative Advertising in the UK-the New Law in its Infancy, III YMEL 1997/1998 247, at 251.

misleading, he held that if they had been it would be appropriate to grant an injunction even if AT&T intended to allege at trial that the statements were true.

3.3.4. *MacMillan Magazines Ltd v. RCN Publishing Co. Ltd.* [1997][107]

Both plaintiff and defendant were publishers of nursing magazines. The defendant published in its magazine comparisons between its own and its competitor's (plaintiff) magazine. Where exact numbers of magazines circulations were given and comparison between advertising fees were made. The advertisement came out in the Nursing Standard on the 7th of May 1997.

The plaintiff objected to the advertisement and sued the defendant for an interlocutory injunction. The plaintiff argued that the advertisement was misleading, that it did not compare like with like, that at least last two paragraphs were simply untrue.[108] The plaintiff claimed damages for malicious falsehood and trademark infringement.

Mr. Justice Neuberger following the line *of Barclays Bank* and *Advanta* cases, refused the sought relief, and held that the comparisons were true or at least not obviously false.

[107] 15th of May 1997
[108] The two paragraphs stated that:
"Years of pouring money into Nursing Times have not helped nursing. Is it time to think about the facts and consider your options when it comes to recruitment advertising?
Move your recruitment to Nursing Standart and save half your budget. Small advertisements in Nursing Times coupled with insertations in Nursing Standart would give you 100 per cent coverage of all nurses buying a weekly nursing magazine in the UK".

3.3.5. *Electrolux v. Dyson Appliances Ltd.* [1999][109]

The plaintiffs ('Electrolux') and the defendant ('Dyson') were manufacturers and distributors of domestic electric vacuum cleaners under the trade marks 'Electrolux' and 'Dyson'.

Electrolux claimed in malicious falsehood against Dyson in relation to the publication of graphs showing that the vacuum cleaners in Electrolux's "power system" range ("the EPS") were less efficient than Dyson's competing product, the "DC01", and in respect of the statement - which was printed in a trade magazine - "it is not the same, it doesn't work" made by Mr. Dyson, the Chairman of Dyson, with reference to the 'EPS'.

Dyson, on the other hand, disputed these claims and counterclaimed on the grounds of malicious falsehood in respect of the publication by Electrolux of a flyer containing a table, which compared the 'DC01' unfavorably with the EPS.

Both defendant and plaintiffs also claimed trademarks infringement because of the use of its mark in the other's publication.

For the claims on the ground of malicious falsehood, Mr. Justice Parker reiterated the essentials of the tort of malicious false hood as stated in *Kaye v. Robinson*[110] and *Horrocks v. Lowe*[111] and held that malice and damage did not arise for any of the claims, so they failed.

[109] The High Court of Justice, Chancery Division, January 26, 1999, Parker J.
[110] [1991] FSR 62.
[111] [1975] AC 135.

For the reciprocal claims for infringement of trade mark, Parker J. confirmed that section 10(6) of the Trade Marks Act 1994 positively permits the use of a trade mark for comparative advertising purposes so long as the trade mark is used in accordance with "honest practices in industrial and commercial matters". As both sides agreed that the test of "honest practice" should be an objective one and nothing turned on how stringent the test should be, Mr. Justice Parker went on further than to hold that the test was essentially an objective one.

Although neither the graph nor the table was held to have been published maliciously, it was held that each was a throughly misleading document containing a number of false representations which was sufficient to render the use made of the competitor's trade mark a use "otherwise than in accordance with honest practices".

It was also held that the requirement, under section 10 (6), that the use made of the other's trade mark was without due cause and took unfair advantage of or was detrimental to the distinctive character or repute of the competitor's trade mark, was satisfied in each case. Therefore each party succeeded in its claim for trademark infringement.

In the line with recent cases, this final case followed a practical and realistic view regarding to comparative advertising. Injunctions and inquiries into damages were refused on the basis that they would not be appropriate remedies in the circumstances, and the court was again only willing to interfere when faced with seriously misleading information. The courts appear to want to avoid being brought into what are essentially marketing wars between competitors, perhaps on the basis at the consumer is growing accustomed to such advertising and is not easily influenced. Also, it is clear from this decision that establishing malicious falsehood requires a substantial amount of evidence in support of an allegation of malice, which may often be difficult to obtain.

The cases show that the system of Trade Marks Act 1994 works quite parallel with the last Directive 97/5 5/EC. There is no need to attribute by Courts to the Directive, to be able to hold a consistent judgment with the Directive; with other words, section 10(6) answers the need.

Part III. Comparative Advertising in European Union

It will probably be a time in the future when European Union will have a better confederate system which will encourage one and only type of legislation and jurisprudence in all Member Countries. What is happening now with all kind of Directives is simply a try to find a midway between many and mostly opposite directed legal approaches and harmonise them in the best possible way.

However, every country still has its own legislation to regulate its system and comparative advertising is not an exception. Even though these approaches nowadays loose their importance because of the EC Directives 84/450 EEC and 97/55/E.C., The writer still believes that the different approaches shall be seen within the Member States to be able to understand exactly how important the harmonisation is for the future.

1. Legislation Approaches

Comparative advertising is generally approached from one of three angles:

1.1. Civil Liability

This is subject to their being a possibility of establishing damage. Such a Remedy was of little use in Scandinavian and Anglo-Saxon Countries, where it is admitted that exact comparisons may be made, except in extreme cases of bad faith. Civil liability could be of more use in civil-law countries, but was, in fact, rarely used because the better part of these countries have enacted specific legislation on unfair competition. An exception is France, where, for lack of provision expressly punishing acts of unfair competition, the practice of comparative advertising used to come within the general ambit of the tort liability regime under Article 1382 Civil Code.

1.2. Trade Mark Law

Little recourse to trademark law is had, save in France, where Article 422(2) Criminal Code, amended almost ten years ago, appears to have been used more abundantly and less restrictively than analogous provisions in other countries.

Another exception is to be found in the Netherlands, where the admission in principle of comparative advertising was increasingly being mitigated by remedies brought under provisions of the Benelux Uniform Trade Marks Act. The provisions of 13(a)(1) and (2) allows the owner of the trademark to contest its use by a third party in a comparative advertisement. The case law of the Benelux Court of Justice confirms the severity of the provision: Article 13(a)(1) applies whether or not their is a 'just motive' and without there having to be a risk of confusion.[112]

1.3. Unfair Competition

The most frequently used grounds on which comparative advertising used to be held to be unlawful might be found in the specific legislation on unfair competition, which most member countries of the European Union had enacted. Comparative advertising, even when truthful, was perceived as an act of unfair competition, regardless of whether the competitor has suffered damage. Here remedies, such as restrictive injunctions permitting to put an end to the advertising campaign, were most effective.

[112] *Henri Julien/Verschuere,* 20 May 1983, [1983] Jur. Court Benelux 36; *Nijs/Ciba-Ceigy and Ziekenfonds Haaglanden/Gist-Brocades,* 9 July 1984, [1984] Jur. Court. Benelux.

2. EC Directive on Comparative Advertising

Directive 97/5 5/EC of the European Parliament and of the Council of October 6 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising has to be implemented in Member States by April 23 2000. The existing position of various regulations within the European Union is therefore changing.[113] However, it is up to the member states to adopt whatever form of transformation they prefer. The Directive aims at harmonising the rules on comparative advertising in Europe.

The new European law under the last Directive defines comparative advertising as; "*advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor*".

2.1. Background

The Commission's first proposal for a directive on advertising, mooted in 1978[114], contained, in addition to provisions on misleading advertising, a number of provisions concerning unfair advertising, among which were certain provisions allowing comparative advertising "as long as it

[113] Trade Marks Act 1994 covers the requirements of the Directive and that no further implementing legislation is required.
[114] OJ. EUR. COMM. (No. C70) 4 (1978)

compares material and verifiable details and is neither misleading nor unfair."[115] Only the provisions on unfair advertising were retained in the Directive adopted by Council in 1984.[116] A few elements of the section on unfair advertising were later taken up in the 1989 Council Directive on the approximation of Member State law on transfrontier television broadcasting.[117] The Directive 97/55/EC, which amended the Directive 84/450/EEC was put as proposal to Council in June 1991.

2.2. ***The proviso***

According to the Directive, comparative advertising shall, as far as the comparison is concerned, be permitted when the following conditions are met:[118]

(1) it must not be misleading;

The word of "misleading" can be found in Articles 2(2), 3 and 7(1) of the Directive. The Directive refers back to the amended Misleading Advertising Directive[119] for the definition of the word "misleading":

"Misleading" is advertising which *"in any way, including its presentation, deceives or its likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of deceptive nature is likely to affect their economic behaviour or which, for those reasons, injures*

[115] Ibid, Article 4. On the history of the 1984 Directive, see L. Kramer, EEC Consumer Law 152 *et seq.*
[116] Council EEC Directive No. 84/450 of 10 September 1984 on misleading advertising, O.J. EUR. COMM. (No. L 250) 17 (1984).
[117] Council EEC Directive of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action concerning the pursuit of television broadcasting activities, O.J. EUR. COMM. (No. L 298) 23 (1989).
[118] Directive 97/55/E.C, Article 3a(l).
[119] Directive 84/450 EEC.

or is likely to injure a competitor." Since the purpose of the Directive is to protect consumers, they should be informed about a trade or business or practising a craft or any kind of goods without any exaggeration or deviation or falsehood and any advertising, which fails to fulfill this proviso, should be defined as misleading.

(2) it must compare like with like;

(3) it must objectively compare one or more material, relevant, verifiable and representative features of the goods or services in question, which may include the price;

(4) it must not create confusion between the trademarks of the advertiser and those of a competitor;

(5) it must not discredit or denigrate the trademarks or business of a competitor;

(6) for products with designation of origin, it must relate in each case to products with the same designation;

(7) it must not take unfair advantage of the trademark or designation of origin of competing products;

(8) it must not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

Even though there are only eight conditions in the proviso, from the interpretation of the legislation we can say that there might be one more condition that the advertisement ought to indicate in a clear and unequivocal way the date on which an offer ends if it is an advertisement for a special offer.

Part IV. Interpretation of the Directive 97/55/EC by English Courts

1. EC Directive on Comparative Advertising and English Law

The Directive has brought some problems with itself. Most importantly we can say that it is not clear from the drafting whether the conditions (mentioned above) set out a bare minimum, *i.e.* conditions under which all Member States must permit the practice of comparative advertising but each state free to be more permissive should they so choose, or whether these conditions represent the only circumstances in which the practice should be condoned.[120] If the former interpretation is correct, than there are little to interpret, because than the Directive sits far more comfortably with the permissive approach adopted by the English Courts. If, however, the second interpretation is correct, and the implication to be drawn is that, unless all eight conditions are satisfied, the comparison is unlawful, it is not difficult to envisage inconsistencies with the decisions reached over the five years since the implementation of the Trade Marks Act 1994. For example, the requirement that the features being compared must be "material, relevant, verifiable and representative" does not at first glance appear compatible with the ease with which the judges have accepted that much advertising copy is "hyperbole" and "trade puffery".

[120] Julia McCormick, The Future of Comparative Advertising, [1998] EIPR 41

Another problem, which might perplex the English Courts, is the definition given of comparative advertising within the Directive, which is *"any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor".* It therefore extends beyond those advertisements, which use a registered trademark to identify a competitor's product. Such advertisements using other, maybe more subtle, means of identifying a competitor's product are not of course governed by section 10 (6) of the Act and remedies (if any) lie instead in actions for copyright infringement, passing off and trade libel. The impact of the Directive could therefore easily extend beyond the provisions of the section of the Act. If an advertisement reproduced enough of a competitor's product to constitute copyright infringement, and yet the comparison being made satisfied the eight conditions of the Directive, the English Courts might be compelled to treat the advertisement as being lawful.[121]

A last but not least problem is that it is not certain whether the final condition relating to imitations and replicas will have any impact on the on the position of own-brand look-alike products produced by many supermarkets. The recent action brought against Asda in respect of their Puffin biscuits[122] demonstrates the significance brand owners attached to the threat posed by such products, and is probably reasonable to assume that this area will be the subject of much scrutiny, if not litigation, for some time to come. McCormick is asking whether or not it could be the case that the get-up of an own-brand product could be treated as sufficiently similar to the branded product that it in itself impliedly identifies the branded product; furthermore could a remedy therefore be found by arguing that the advertising of such a

[121]ibid.

[122] *United Biscuits (U.K.) Ltd. v. Asda Stores Ltd,* March 18, 1997.

product therefore must comply with the eight conditions and, in falling foul of condition (8), any advertising of the own-brand product is inherently unlawful?[123] Time will show the answers most correctly. The interpretation of the Directive 97/55/EC with the Trade Marks Act 1994 by English courts hopefully will be made without causing any confusion to manufacturers.

[123] [1998] EIPR 41.

Conclusion

We have now followed the development of the control of comparative advertising in England and the European Union. Differences between English and other Member's systems are many, therefore a harmonisation throughout the European Union will not be an easy task. Even though many countries within the European Union have recently adopted more tolerable approaches towards 'free - but regulated - comparative advertising', still new Acts might be needed.

If we move on from the point which last paragraph states and apply the situation to England, we have to answer the following question: 'Should United Kingdom law change in light of Directive?'

The situation and the conditions are rather more moderate, comparing to most others in the Union. Section 10 (6) of the Trade Marks Act 1994 already provides a lot of privilege to comparative advertisement, and besides what section 10 (6) does not cover, the Advertising Standards Authority will regulate. A future problem might be the uncertainty of whether that the standards that might have to be adopted by the self-regulatory authorities and at law will be as liberal and flexible as those applicable under English law.

In a country like England, with a deep common law tradition, adaptation to the new European approach will not be a problem. According to the writer's point of view England will not be needing a new Act in the recent future for the purpose of adaptation to the new Directive 97/5 5/EC.

Will the new Directive 97/55/EC only serve to small and medium sized corporations or will also the international companies get any advantages? Of course, the answer is depending on the advertising policy of each international company. It will in fact be easier for small and medium size undertakings to enter in the market, but regarding the fact that big companies has great powers, they will easily strike back.[124]

International companies will have the tremendous advantage of the fact that if the criteria of the directive are met, the advertisement will be admissible in all member states. The planning and implementation of marketing activities on Europe-wide scale is thus greatly eased. Where before the differences in the national regulations of advertising led to considerable uncertainties to the companies which wanted to launch a Community-wide advertising campaign.

Since the Europen Union has gained a highly important role for Turkey as a candidate Country, the advertisement aspect of the acqui communutaire shall not be underestimated neiter by the governments nor by the national firms which are ready for competition on the Common Market.

The writer beleives that as it is a huge industry, Turkish advertisement firms as well have to be aware of the recent developements that are tried to be discussed in this study.

Concerning these issues there is only one fact, which is certain, that time will be the only guide to show us what exactly will happen.

[124] The advertisements of 'Telia' (Swedish Telecom) could be an example, where Telia successfully puts forward the disadvantages and handicaps of its small sized competitors to their customers.

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Abbreviation List :

C.L.R.	California Law Review
E.B.L.R	European Business Law Review
E.C.L.R.	European Competition Law Review
E.J.I.L.	European Journal of International Law
E.L.R.	European Law Review
E.I.P.R.	European Intellectual Property Review
I.I.C.	International Review of Industrial Property and Copyright Law
J.B.L.	The Journal of Business Law
M.I.P.	Managing Intellectual Property
T.M.W.	Trade Mark World
Y.L.J.	Yale Law Journal