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INTERNATIONAL LEAGUE OF COMPETITION LAW
INTERNATIONALE LIGA FÜR WETTBEWERBSRECHT**

Questions for National Reporters of LIDC BORDEAUX 2010

Question B: Intellectual Property Law

“To what extent can intellectual property rights (trademarks, patents, designs, copyrights, designations of origin) limit comparative advertising?”

UK National Reporter: Simon Malynicz, Hogarth Chambers

1. Legal framework for the applicable rules on comparative advertising

1.1 Does your legal system provide for specific rules applicable to comparative advertising?

1.1. In the United Kingdom, there exist various specific legal rules applicable to comparative advertising. The three most common are (i) a claim of registered trade mark infringement (ii) a claim of trade libel (also known as malicious falsehood) and (iii) complaints about breaches of advertising codes made to the regulatory authorities. Because (iii) does not relate to Court proceedings, it will not be the focus of this response, save for the specific responses relating to regulation and codes of conduct at questions 2.7 and 2.9 below. In addition, it is sometimes possible to complain of unfair comparative advertising using the action for passing off.

1.2 If so, in which regime are these provisions placed (e.g. Unfair Competition Law, Intellectual Property Law, Consumer Law, Advertising Law, Media Law, General Private Law protecting privacy, other)?

1.2. The claim for UK registered trade mark infringement is governed by the Trade Marks Act 1994, which transposes the Trade Marks Directive (“TMD”) 2008/95/EC. In relation to Community trade marks, it is governed by the Community Trade Mark Regulation 207/2009/EC. These are intellectual property laws. The claim for trade libel is a claim under the general law of tort. The necessary elements of the cause of action for trade libel are as follows:

1. That the defendant has published words that are false
2. The words were published maliciously
3. Special damage has been the natural and direct result of the publication.

The claim for passing off is under the general law of tort and is sometimes regarded as the English equivalent of unfair competition law. The necessary elements are that the claimant has an established goodwill, that there is a misrepresentation and that there is damage.

1.3 What is the relation between the provisions on comparative advertising and the provisions on the protection of identifying signs, Trade Mark Law, in particular?

1.3. Comparative advertising is defined in Control of Misleading Advertisement Regulations (“the Regulations”) 2008 (as amended) which transpose the provisions of the Comparative Advertising Directive (“CAD”) 2006/114/EC. The relationship between this set of rules and the rules governing trade marks was explained by the Court of Justice in two recent cases, *L’Oreal v. Bellure* and *O2 v. Hutchison*. In essence, if a comparative advertisement uses a competitor’s trade mark in a manner that complies with all of the CAD conditions, then CAD provides a defence and the advertisement must be permitted. However if the advertisement causes confusion or takes unfair advantage, then it will not be in compliance with some of the CAD conditions either, as those concepts have the same meaning under both the CAD and the TMD. As regards the action for malicious falsehood, it is likely that any advertisement that fulfils the

necessary elements of the cause of action (i.e. falsehood and malice) would also not be compliant with some of the CAD conditions, for example, the prohibition against denigration of the competitor, taking unfair advantage or causing confusion.

1.4 Are the provisions on comparative advertising very specific as to the requirements of legal comparative advertising?

1.4. Yes, the Regulations mirror the provisions of CAD, which are themselves detailed.

1.5 Is the specific legal framework of comparative advertising enshrined in acts of positive legislation or judge made law?

1.5. So far as trade marks are concerned, this is a matter of positive legislation. The law of trade libel is entirely judge-made law.

1.6 Is the general approach of the rules governed by the interest of protecting competitors (“the competitor is entitled to not have people talking about him”) with exceptions for legal comparative advertising or to the contrary governed by a primacy of free commercial speech limited for illegal comparative advertising?

1.6. The general approach in the UK in relation to trade libel has been to be very permissive of comparative advertising and to promote competition through free commercial speech. This can be seen by examining both substantive and procedural case law. It is quite rare for a claimant to succeed in an action for malicious falsehood in the UK because the policy of the Courts has been to allow a certain amount of exaggeration in advertising and to allow the market to decide on rival claims between traders as to whose goods are better. Furthermore, it is not possible to obtain an interim prohibitory injunction in a trade libel case or even a registered trade mark case involving

comparative advertising, where the defendant proposes to justify (prove the truth of) the comparative advertisement at a later date.¹,

1.7 Is the scope of the specific provisions on comparative advertising limited to archetypal forms of comparative advertising (as described in the introduction) or does it also cover

(a) Comparative product tests and publications by consumer associations or media?

(b) Non-informative, but rather funny or playful comparisons?

(c) Comparisons without individually recognizable competitors (esp. geographical indications, assertions of superiority)?

(d) Imitation of a product design suggesting that (a) the product has been marketed by the producer of the “original” product thus creating a risk of confusion (b) though excluding a risk of confusion for direct purchasers (e.g. by clear indications of commercial origin, distribution channel or price tag) suggesting to the general public that the product has been marketed by the producer of the original product (“post sale confusion”) or (c) though without creating a risk of confusion suggesting by the approximation of design that the product is a direct replacement of the original product and fit for the same purpose?

(e) Comparisons outside a competitive relationship?

1.7. The scope of the English rules on trade mark infringement and malicious falsehood are not restricted to archetypal forms, but do cover:

¹ Provided that, in a trade mark case, the defendant adduces credible evidence of justification at that stage: see *Boehringer v. Vetplus* [2007] FSR 29.

(a) comparative products tests and publications by others – because traders may seek to misrepresent or exaggerate these so-called independent findings;

(b) playful or funny comparisons – there is no parody defence in UK trade marks law, but it might be difficult for the claimant to demonstrate malice (a necessary ingredient of trade libel) where the advertisement merely pokes fun.

So far as (c) is concerned, in general it is difficult to bring a trade mark infringement action or a trade libel action against a comparative advertisement that does not identify an individual competitor (e.g. an advertisement that claims, falsely, to be the best when a competitor in fact is) because there is unlikely to be use of the trade mark and the ingredient of malice is not likely to be present.

As to (d), false suggestions of compatibility and/or false suggestions of an economic link with the proprietor are likely to be trade mark infringement (and not to have any defence under CAD because the condition relating to misleading behaviour is breached). They may also amount to trade libel if the ingredients of the tort are made out,

As to (e) whether comparisons outside a competitive relationship are actionable, the answer is probably yes, in principle. In Case No 381/05 *De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne* case, the Court of Justice indicated that it was a matter for national courts to take into account of their national practices as to whether goods were substitutable if the advertiser was not a direct competitor (in that case the goods were champagne vs beer). Though we are not aware of any UK case law directly on this issue,² we suggest that it may be that use of a trade mark may lead to infringement on grounds of confusion or unfair advantage even where the

² We are aware of a passing off case, *Taittinger S.A. v. Allbev Ltd.* [1993] F.S.R. 641, where there was a successful claim against a soft drink manufacturer who marketed its product as “Elderflower Champagne”.

goods/markets are not exactly the same. As these provisions are mirrored in the CAD conditions, it is therefore possible that no defence would apply. So far as trade libel is concerned, there is no requirement that the publication be made by a competitor. Anyone can be liable for a trade libel, even, for example, a member of the public.

1.8 General remarks or relevant aspects not mirrored in the questions

1.8 We have raised several points not directly mirrored in the questions above.

2.1 Which IP rights protecting identifying signs besides trade marks may collide with the provisions on comparative advertising in your legal system?

2.1. In the United Kingdom, the usual cause of action, as stated above, is trade mark infringement and/or trade libel (malicious falsehood). Occasionally, a claim is made for copyright infringement where, for example, the comparative advertisement uses an image of a competitor's product or labelling or logo. However, it is not always straightforward to establish title and subsistence of copyright (for example, a logo may be old and there are no records concerning its creation, or artwork may have been produced by a third party who cannot be found or has gone out of business) and therefore this claim can be difficult to maintain. Other IP rights such as designs or geographical indications are not usually in issue because they are not necessarily infringed by their depiction or reference in a comparative advertisement. For example, a UK or Community design is not infringed by its depiction in a comparative advertisement because such does not amount to "use" of the design in the sense of making it, offering it, dealing in it, etc.

2.2(a) Does your Trade Mark Law require for infringement that the protected trade mark be used in a particular manner, in particular as indicator of commercial origin, in other words does trade mark protection require the use of the protected sign "as a trade mark"? If not, are there any other specific requirements for an infringing use?

2.2(a) The issue of whether a use infringes because it is use as a trade mark has been the subject of a number of rulings by the Court of Justice, notably Case C-2/00 *Holterhoff*, Case C-206/01 *Arsenal v. Reed*, Case C-245/02 *Anheuser-Busch*, Case C-48/05 *Adam Opel*, Case C-17/06 *Celine*, Case C-487/07 *L’Oreal v. Bellure* and, most recently, Case C-236/08 *Louis Vuitton v. Google France*. In essence, it must be shown that there is (i) use in the course of trade (ii) in relation to goods or services (iii) without consent and (iv) that such use is liable to jeopardise the essential function of the mark. This is not a matter in which the Courts of the UK are able to (or attempt to) depart from the guidance provided in those cases.

2.2.(b) If the use of an identifying sign in comparative advertising is covered by Trade Mark Law or specific rules protecting firms, liability under Trade Mark Law or specific rules protecting firms may be excluded with the lack of a risk of confusion. Problems arise, however, where identical trade marks are used for identical products, which is very likely in the case of word marks. Is such use always considered an infringement or can the assumption of a risk of confusion be rebutted, if another owner’s trade mark is obviously used to identify this owner’s products?

2.2(b) The issue of use of an identical marks for identical products was dealt with in each of the cases mentioned in 2.2(a) above. The mere fact of identity is not enough. In addition it is necessary to show that the mark has been used so as to have an effect on one of the functions of the trade mark, for example its essential, advertising, communication or investment functions.

2.2(c) If not, is there an exemption for the indicating use of the protected sign and is comparative advertising an accepted case of such indicating use? If so, is it required that the comparative advertising be legal under the requirements for comparative advertising?

2.2(c) See 2.2(a) and (b) above.

2.2(d) Does legal comparative advertising provide for a justification for a trade mark infringement?

2.2(d) As mentioned earlier, the *O2* and *L'Oreal* cases have made it clear that in principle legal comparative advertising may provide a defence for trade mark infringement, provided all of the CAD conditions are complied with..

2.2(e) *Does your legal system contain specific provisions governing the relationship of Trade Mark Law and the rules on comparative advertising?*

2.2(e) See earlier

2.2(f) *Does your legal system contain provisions limiting legal comparative advertising to a principle of indispensability with regard to the use of the compared party's IP rights?*

2.2(f) There appears to be no requirement of necessity, though this question was left open by the Court of Justice in Case C-533/96 *O2 Holdings*.

As for the rules protecting design, esp. Design Law, Unfair Competition Law:

(a) In what manner is creative design (not entailing works of art or technical inventions) protected in your legal system?

(b) Is there an overlap with the provisions relating to comparative advertising?

(c) What are the consequences of the overlap?

2.3(a). There are five ways in which creative design may be the subject of protection in the UK legal system:

(i) UK registered design under the Registered Designs Act 1949 (as amended) which transposes the EU Designs Directive 98/71/EC;

(ii) Community registered design under the EU Designs Regulation 6/2002/EC;

- (iii) Community unregistered design under the EU Designs Regulation 6/2002/EC;
- (iv) UK unregistered design right under the Copyright Designs and Patents Act 1988;
- (v) copyright protection under the Copyright Designs and Patents Act 1988

2.3(b) and (c) – The starting point is to consider the scope of protection in the relevant designs legislation. In general this refers to use of the design by reference to acts of making, importing, offering for sale, and so on. Therefore it may be arguable that there is no realistic overlap between design protection and comparative advertising because under each of the schemes of protection set out above, with the exception of copyright protection, the depiction of a design in a comparative advertisement would not infringe the right in question. However we are aware of no UK case law on this issue. In addition, we suggest that if the comparative advertisement were on the product itself, then it may be easier to argue that such use does fall within the scope of design protection.

On the question of copyright, it might be possible to infringe the right because infringement covers any use in a material form. Under the CAD such use must be permitted if it complies with the CAD conditions. However, since UK domestic law does not currently provide for a defence that the use is a permissible comparative advertisement, it is arguable that such use would still be infringing.

2.4 In what manner are geographical indications protected in your legal system? Is there an overlap with the provisions relating to comparative advertising?

(a) Does your legal system permit to compare products protected by designations of origin, that do not benefit from the same designation of origin? If so, under which circumstances? Will a comparison of prices or quality be allowed? In which way is the reference to the competitor's designation of origin allowed in your legal system?

(b) Is the solution identical when the announcer highlights its own IP Rights or designation of origin in a comparative advertising?

2.4(a) Geographical indications are protected in the UK under EU law such as Regulation 2081/92/EC as amended by Regulation 535/97/EC in relation to foodstuffs and various other EU regulations for things such as wines and spirits. There does not appear to be an overlap with the provisions on comparative advertising in the usual case because the protection afforded by protected geographical indications ('PGIs') prohibits use of the name on products not covered by the PGI specification, as well as misuse, evocation and other misleading indications, but does not appear to extend to use of the PGI to refer to products (e.g. a competitor's) falling within the specification. In other words, if one trader states that his products are as good or better than products that are protected by a PGI, that should not lead to a claim against that trader. Of course, if the comparative advertisement actually causes confusion in the sense that it causes the public to believe that the advertiser's goods are within the PGI specification when they are not, that may lead to a breach of the regulation. In addition there would be no defence under CAD because one of the CAD conditions (that the advertisement must not mislead) has not been satisfied.

2.4(b) Whether an advertiser refers to his own IP rights (if any) would appear to be relevant to the issue of whether the advertisement is likely to confuse. Reference to a different IP right is likely to militate against confusion. .

2.5 As for rules protecting creative works, esp. Copyright Law: Copyright Law may become critical, if either the identifiers used in a comparative advertisement are protected by a copyright or in the case of imitation marketing the imitated product is protected by a copyright.

(a) Under which circumstances will your legal system grant copyright protection either to identifiers or to product design?

(b) As for design protection: Is there an overlap with the provisions relating to comparative advertising?

(c) What are the consequences of the overlap?

2.5(a) In general UK copyright law will not protect very short works³ (e.g. a few words like “identifiers”) as these are said to not involve the expenditure of a sufficient amount of the right kind of skill, labour or judgment. Product design is principally protected under the four types of design protection outlined above at 2.3. However works that amount to sculptures or surface decoration for example might be protected under copyright as well as UK registered design and Community registered and unregistered design. The consequence of this have been explained above at 2.3.

2.5(b) and (c) See the response at 2.3 above.

2.6 Sanctions and enforcement: How does your legal system sanction the unlawful use of another owner’s IP Right in a comparative advertising? Are there differences between the sanctions regarding the involved IP right? Do these sanctions and/or enforcement procedures differ from the sanctions and enforcement of illegal comparative advertising?

2.6 The usual sanctions in a IP infringement case will be (a) a final prohibitory injunction; (b) an order for payment of damage caused to the claimant or an account of the defendant’s profits (at the claimant’s option); (c) delivery up or obliteration or destruction of infringing materials; (d) publication of judgment at the defendant’s expense and (e) reimbursement of most of the claimant’s legal costs, together with (f) interest on any monies paid by way of damages, account of profits and legal costs. These are significantly more effective than administrative remedies in relation to complaints about comparative advertisements brought before regulatory authorities: see below.

³ *Exxon* [1982] RPC 69 where the word EXXON was not protectable as a literary work under the law of copyright.

2.7 Self-Regulation: Do codes of conduct on this subject exist in your country?

2.7 There is a certain amount of self-regulation through industry-created Advertising Codes, breaches of which are adjudicated upon by the Advertising Standards Authority ('ASA'). The Unfair Commercial Practices Directive 2005/29/EC has been transposed into UK law via the Consumer Protection from Unfair Trading Regulations 2008, which the ASA takes account of in adjudicating on complaints of breaches of the Codes. The ASA is able to refer advertisers who persistently make misleading claims to the Office of Fair Trading ('OFT') for enforcement action if necessary. The OFT is able to act under the Consumer Protection from Unfair Trading Regulations 2008, which governs how businesses interact with consumers, and the Business Protection from Misleading Marketing Regulations 2008, which govern how businesses advertise to each other. The ASA is the usual way of obtaining compliance with both these pieces of legislation which makes Court action relatively rare.

2.8 General remarks or relevant aspects not mirrored in the questions

2.8 We have made various points on aspects not mirrored in the questions.

2.9(a) Do you consider it necessary to establish express rules relating to the requirements for the use of another owner's IP rights (i.e., design, copyright) in comparative advertising? If so, under which circumstances should the use of another owner's IP right (i.e., design, copyright) be allowed in comparative advertising?

2.9(a) We do not consider that it is necessary to state the specific requirements for use of IP rights other than trade mark rights because other IP rights are unlikely to be involved in typical comparative advertising cases. We consider that the requirements for use in comparative advertising of registered trade marks has been adequately stated in the ECJ judgments of *O2* and *L'Oreal*.

2.9(b) Towards which direction do you think it would be desirable to make your national law evolve? Is the tendency rather to make use of legal comparative advertising as a justification for IP rights infringements – or should the inherent protection of IP rights modify the standards for legal comparative advertising?

2.9(b) The UK has always had a liberal approach to comparative advertising, and this has continued with the coming into force of the various versions of CAD. We think that the balance is now about right between trade mark proprietors and comparative advertisers.

2.9(c) Do you consider it desirable to establish or further develop codes of conduct on this subject? On which points exactly and/or for specific goods (wines and alcohol, drugs)?

2.9(c) We do not consider it necessary or desirable to develop further the Code of Conduct approach as the ASA already deals with the overwhelming majority of such complaints under its self-regulatory and co-regulatory approach and the system seems to be working well. The relevant codes are amended from time to time in any event.