HELLENIC REPUBLIC
National and Kapodistrian University of Athens
EST. 1837

LAW SCHOOL

LL.M. in International & European Legal Studies

LL.M. Course: Law of Trademarks and Distinctive Signs

Academic Year: 2020-2021

DISSERTATION

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Comparative Advertising

in relation to Trademark Rights and Consumer Protection

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Athens, 15 November 2021

Abstract

Comparison is situated at the core of contemporary advertising. Comparative advertising is an every-day phenomenon in the modern scenery of trade communication and has evolved to the most efficient marketing sales promotion device. Through comparative advertising the trader demonstrates the merits of his products by comparing them explicitly or by implication to rival products. In this way he highlights his superiority in order to dominate in consumers' minds and influence their purchase decisions. Firstly spotted in the early 1970s, comparative advertising has in the last few years become prevalent enough to cause both escalating interest and controversy in the advertising industry, invoking legal issues of trademark infringement and consumer deception. The present thesis aims at examining the role of comparative advertising in the modern market and its impact in the interest of the trademark owner and public in general. Under which circumstances can comparative advertising be regarded lawful and legitimate? Is the current Directive on comparative advertising a sufficient legal instrument in balancing the conflicting interests of the advertiser, trademark proprietor and consumers? Which are the loopholes in the existing legislation and what measures should be adopted to enhance the future of comparative advertising? Does the harmonization of advertising law in the EU seem a utopia or a short-term reality? These questions provide fruitful avenues for thorough consideration and controversial approaches.

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1. Introduction

In words of Leo Burnett "*Good advertising does not just circulate information. It penetrates the public mind with desires and belief*".[1] Advertising has indeed evolved to one of the most essential elements of modern business and trade. From the unknown marketers to multi-billionaire enterprises, everyone is utilizing advertising as a marketing tool to demonstrate the merits of their products and promote their goods and services. This means of product communication has diffused in our everyday life and has undeniably become a persuasive force targeting in shaping consumers' mentality and mindset and thus affecting their consuming behavior.[2]

In today's fast evolving and commercialized world, consumers are more and more exposed to a vast variety of goods and services offered in the market, and the advertising is here to facilitate their decision making. Advertisers create brand image and grow a psychology in the minds of the consumers, attempting to approach and influence them to choose the most advertised product among the others. However, due to the maximizing influence of social networks in many aspects of our fast-paced lives, more choices are made subconsciously and consumers have no time to examine thoroughly the specific elements that facilitate their decision-making process. Is it the pressure of social media, the image of the product or its quality? Surprisingly, the former two seem to be the most influencing factors. Big corporations take advantage of consumers' vulnerability to be easily manipulated and thus build commercial strategies to better promote their products in order to dominate in the competitive market.

In the early seventies of the last century, a new type of advertising invaded in the market; comparative advertising. It is a more pioneer and effective commercial technique by which a product is compared with a competitive one with the intent of proving its superiority. Before 1970s comparative advertising was regarded as an illegal market practice and the lack of specific regulation leaded to the practical prohibition. Until very recently several continental European countries were hostile to such advertising and had completely banned any form of it on the grounds of unfair competition law. On the contrary, the Federal Trade Commission (FTC) of the United States started allowing brands to explicitly name other brands in their

[1] Porter H. "*Dishonestly and Without Due Cause*", Journal of Intellectual Property Law & Practice, Volume 2, Issue 9, 2007, pp. 285-286

[2] Suleman, Saadiya, *Comparative Advertising, Disparagement and Trademark Infringement: An Interface* (November 13, 2011). 7 VJLA 2012 (2) 18, p. 1 available here [accessed 14 September 2021]

advertisements from the year 1971 and nowadays encourages the use of a competitor's mark and generally comparative advertising as a means of product promotion. More particularly, as per the statement of policy regarding the comparative advertising of the FTC "*comparative advertising is defined as advertising that compares alternative brands on objectively measurable attributes or price, and identifies the alternative brand by name, illustration or other distinctive information*". [3] In particular, FTC highlighted the importance of comparative advertising for the following reasons; it increases consumer information, promotes the advertised brand in a competitive way; enables consumers to reach more informed and rational purchasing decisions. It is remarkable that FTC only restrained comparative advertising that constitutes 'unlawful or deceptive acts or practices in or affecting commerce' that is exercised in an anti-competitive and abusive manner.

With regard to the European Union, prior to the issuance of the Comparative Advertising Directives, many countries had different approaches to the new phenomenon of comparative advertising.[4] Even though the initial approach was that misleading and unlawful comparative advertising can cause distortion to competition within the internal market, nowadays the European position is that comparison advertising is legitimate as long as it communicates verifiable details and is neither misleading nor unfair. The European legislator had acknowledged that the use of comparative advertising needed to be harmonized at Community level; thus, Member States were required to implement the Directive 2006/114/EC[5] (Misleading and Comparative Advertising Directive) into their national legislation, which succeeded the earlier Directive 84/450/EEC[6] as amended by the Directive 97/55/EC.[7] Art. 2 (b) of Directive 2006/114/EC states that: "*comparative advertising means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor*" and in art. 4 it lays down certain minimum and objective criteria for determining whether advertising is misleading or not. In general, taking into consideration the provisions of the Misleading and Comparative Advertising Directive, a comparative

[3] Bagwell, K., *The Economic Analysis of Advertising, forthcoming in: M. Armstrong and R. Porter (eds.), The Handbook of Industrial Organization,* Vol. 3, Amsterdam: North Holland, 2003

[4] For example Portugal, Switzerland and United Kingdom allowed comparative advertising, whereas Belgium, Luxembourg and Germany banned it as an illegal market practice

[5] Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, OJ L 376, 27.12.2006

[6] Council Directive 84/450/EEC of 10 September 1984 relating to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising OJ L 250, 19.9.1984

[7] Directive 97/55/EC of European Parliament and of the Council of 6 October 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising OJ L 290, 23.10.1997

statement is allowed only if it is not misleading, compares identical or similar goods or services, does not create confusion, discredit or take unfair advantage of a rival's trademark or present goods as imitations of those bearing a protected trade name.

Even though it has justifiably evolved to the most desirable sales promotion mechanism for communicating product and thus facilitating consumers' decision-making, the misuse of comparative advertising has raised serious issues of legality. The use by an advertiser, in the course of comparative advertising, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as '*use'* for the advertiser's own goods and services. Trademark law protects a trademark owner's exclusive rights to use his mark and prevent any unlawful use of his trademark by an infringer. Trademark protects the mark from any unauthorized use of the mark which can cause confusion in the minds of the general public. Therefore, if the rival uses a competitor's trademark without the consent of the proprietor for the purposes set out above, such use would prima facie infringe the rights of the proprietor of the mark.

The impact of "*knocking copy*"[8] in the area of consumer protection grows interest as well as intense controversy. On the one hand, it is undeniable that comparative advertising can be informative enough to assist the consuming public in making rational purchase decisions.[9] It can further stimulate competition between suppliers which ultimately benefits the public interest;[10] the competition contributes to the improvement of product quality and the lowering of market prices. On the other hand, direct naming of competitors can lead to greater confusion and anxiety in the minds of consumers regarding which brand is actually sponsoring the ad. It has been also argued that many comparative ads do not provide sufficient details about the features of the advertised products, while they do not help to maintain market transparency.

When comparative advertising is utilized in a fair way to help consumers make informed and rational decisions it can be regarded as an essential asset of the market; on the contrary, when it is employed as an unfair commercial practice to confuse and mislead consumers,

[8] "*Knocking copy*" or "*advertising copy*" is the informal designation for comparative advertising (mainly used in the UK)

[9] Barone, M. J., Rose, R. L., Miniard, P. W., Manning, K. C., *Enhancing the Detection of Misleading Comparative Advertising,* Journal of Advertising Research, 39 (September/October), 1999, p. 43-50

[10] This was one of the primary reasons that the FTC supported comparative advertising in the 1970's in the U.S. See also Iskolczi-Bodnár P., *Definition of Comparative Advertising*, European Integration Studies, 25, Miskolc, Vol. 3 (2004) p. 1

certain legal restrictions need to be enforced so as to prohibit unfair marketing practices and safeguard the interests of the consuming public.

This thesis will help to explore the dimensions of comparative advertising and its effect on the interests and rights of trademarks owners and consumers. In particular, this review firstly investigates the particularities of comparative advertising. The discussion then turns to the impact of comparative advertising on trademark rights and proceeds to consumer protection mechanisms. The article concludes with personal thoughts and suggestions on possible future developments of the law of comparative advertising.

2. Comparative Advertising

2.1. Definition and Overview

The definition of comparative advertising comprises of two main components: the term '*advertisement*' and the identification - at least indirectly - of a competitor or of his goods or services.

The report of the EC Committee on the environment, public health and consumer protection defined advertising as follows:

> *"The process of persuasion using the paid media, in which purchases of goods, services or ideas are sought; Its primary aim is to convince the consumer to obtain the advertisers product/service and/or his specific brand. Advertising is thus a commercial message designed to influence consumer behavior. The commercial involves both information and promotion, always with the aim of enhancing the message which the advertiser wishes to put across to the consumer in order to influence the latter in favor of the particular product/service. The objective information value of the commercial is thus secondary, as the information is used solely if and insofar as, it can act as a persuasive element in the advertisement".*

As indicated in the definition above, the dissemination of factual information to the public constitutes the secondary goal of advertising. The primary aim is to persuade or motivate the public to select the advertised product among the others displayed in the market; so only the information that accomplishes this objective is used. Generally, the more the product is advertised, the more possible it is to attract consumers and dominate in their minds as the primary choice.

Article 2 (a) of Directive 2006/114/EC provides that: "*advertising means the making of a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services, including immovable property, rights and obligations*". The four elements of advertising that can be derived from the definition are summarized as follows: i) statement; ii) in the course of trade, industry, craft; iii) in order to increase the sales and provide services; iv) addressee/recipient of the statement.

Advertising is materialized in the form of *'statement'*, i.e. an objective fact that can be proved, or a value judgement (mainly in the form of an opinion) that is not verifiable concerning its truthfulness based on evidence. Even non-informative promotions and advertising exaggerations that are not taken seriously can be regarded as advertising.[11]

Moreover, this statement must be made in the course of trade; only the comparison made for commercial purposes falls within the scope of comparative advertising. As provided in the Unfair Commercial Practices Directive 2005/29/EC: "*trader means any natural or legal person who, in commercial practices covered by this Directive, is acting for purposes relating to his trade, business, craft or profession and anyone acting in the name of or on behalf of a trader*"[12] therefore, the role of the trader expands also to cover the trader's staff and representatives.

Therefore, the primary goal of advertising in not actually the communication of factual information per se but the influence of the public to select the particular advertised product among the others. The more the consumers are exposed to the particular advertisements, the more likely it is to recall in their minds the specific advertised products and purchase them without a second though. The statement, thus, must have the intention to promote own competition to the other rivals' detriment. The subject matter of the advertisement can be the promotion of any kind of goods as well as services (e.g. rights and obligations, immovable items, intellectual property etc.).

Addressee of the statement needs to be a person (either a single person or a group of people) that can contribute to the '*increase of sales'* requirement; this includes consumers and entrepreneurs as end-customers, resellers and sales consultants that make sure that goods and services reach the end-customers. The admissibility of advertising is dependent

[11] Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market ('*Unfair Commercial Practices Directive'*), OJ L 149, 11.6.2005, art 5 (3) (2) "*The usual and lawful advertising practice to make exaggerated statements or statements not to be taken literally, is not addressed.*"
[12] *Ibid* art 2 (b)

on which specialized group of consumers it is directed to. The relevant public[13] can therefore be divided into two broad categories based on their level of attention: (a) the professionals (entrepreneurs, experts, specialist traders) who have higher level of attention due to their expert[14]; (b) the average consumer who is "reasonably well-informed", "reasonably observant" and "reasonably circumspect", more vulnerable to be influenced by the advertisement, or even misled and deceived due to the low level of attention.

As set out above, the second component of comparative advertising is the identification of the competitor himself or his products, either directly or indirectly. Therefore, the advertiser and the marketer affected by the advertisement are in a competitive relation. Comparative advertising is a marketing technique by which the trader accentuates the superiority of his distinct products by drawing comparisons between his goods and the goods of another competitor. It is notable that the compared products are usually well-known (famous) and held in high regard by a great fraction of the public. With this comparison, the advertiser aims at praising the virtues of his wares with a view to stimulate the demand for his products in preference to the compared ones. In fact, the trader attempts to take advantage of the repute of a successful and famous trademark and exploit the popularity of that good so as to increase the sales of his own goods. In other words, the host product or trademark is parasitized by the advertiser. It is self-evident that the competing products need to serve the same needs; it would not be feasible for a competitive relationship to grow between the rivals if their products were not identified in the advertisement either directly or indirectly.

By the above, three features can be detected in the notion of comparative advertising: (i) two or more specifically, or recognizably demonstrated brands of a product/service are compared; (ii) the comparison is based on one or more characteristics of the products/services; and (iii) objective information has been used as a basis for comparative claim(s).[15] The concept of comparative advertising can therefore be summed up in the following moto: *"Anything his can do, mine can do better!"*[16] In the following sections the

[13] Relevant public is created by people to whom the advertisement is addressed or whom it reaches

[14] Case C-112/99, *Toshiba Europe GmbH v. Katun Germany GmbH* [2001], ECR I-7945, para. 52 (c): *"Account should be taken of the type of persons at whom the advertising is directed. In the present case, those persons appear to be specialist traders who are much less likely than final consumers to associate the reputation of the equipment manufacturer's products with those of the competing supplier"*

[15] Boddewyn J., Marton K. *Comparative Advertising: A worldwide study* (1978), Volume 1, p. 23

[16] Jeerome G. Lee, *"Comparative Advertising, Commercial Disparagement and False Advertising",* Vol 71 Trademark, (1981) p. 620

analysis concentrates on the conditions under which comparative advertising can legally be used, its impact on competitors' trademark rights and its effect on consumers' interests.

2.2. Institutional mechanisms regulating Comparative Advertising in the EU

2.2.1. Historical Evolution

Until very recently, comparative advertising was not allowed in European countries mainly on the grounds of unfair competition.[17] The European Union first addressed the issue of comparative advertising in the late 1970s. The position was that comparative advertising should be legal if it provides verifiable details and is neither misleading nor unfair. Special particularities, cultures and traditions among the Member States made it difficult for legislatures in the institutions of the European Union to reach widely accepted legislation. This heterogeneity was an obstacle for the completion of the internal market; an area without internal frontiers in which the movement of goods and services and freedom of establishment should be ensured. This obstacle could only be eliminated through the abandonment of different (national) legal regimes and the consolidation of a harmonized legislation in the EU. Harmonization at Community level could therefore only be accomplished through the enactment of uniform rules which would meet the requirement of legal certainty and guarantee the proper functioning of the internal market.

The first European legal instrument that regulated the function of advertisements was the Council Directive 84/450/EEC. The Directive was broad in its scope and a certain minimum protection for consumers was already guaranteed.[18] Initially the Directive regulated only misleading advertising by providing a minimum standard for harmonization; however, recital 6 already provided that: "*at a second stage, unfair advertising and, as far as necessary, comparative advertising should be dealt with, on the basis of appropriate Commission proposals*". Therefore, in October 1997, the European Parliament adopted the Directive 97/55/EC amending the former version. In particular, Directive 97/55/EC officially included

[17] Comparative advertising was particularly prohibited in Germany and France. The explicit reference to competitors had been banned in Belgium, Italy and Luxemburg. Limited comparative advertising was permitted in Spain and the Netherland and the use was restricted by the criteria of strict truthfulness and relevance

[18] Supra note 6 art. 1: "*The purpose of this Directive is to protect consumers, persons carrying on a trade or business or practicing a craft or profession and the interests of the public in general against misleading advertising and the unfair consequences thereof*"

comparative advertising in a broad sense so as to cover all models of this type of advertising and provided certain provisions on the admissibility of comparisons in commercial communication.[19] The European legislature had acknowledged that "*fair*" comparative advertising is an essential tool for the circulation of products by creating genuine outlets for all goods and services throughout the Community and that "*the basic provisions governing the form and content of comparative advertising should be uniform and the conditions of the use of comparative advertising in the Member States should be harmonized*".[20] Whereas this Directive allowed Member States to adopt stricter provisions concerning misleading advertising with a view to ensuring more extensive protection, this was not permitted in the case of comparative advertising (maximum harmonization).[21]

2.2.2. Council Directive 2006/11/EC

i. Objectives and Purposes

For reasons of clarity and rationality, the European legislative bodies drafted the Council Directive 2006/114/EC concerning misleading and comparative advertising which has applied since 12 December 2007. The recitals of the Directive highlight the intentions and goals of the EU legislature in the implementation of the Directive which can be summarized as follows:

A. *Completion of the internal market*

The smooth function of the EU market ensures the anticipated completion of the internal market as "*an area which has no internal frontiers and in which goods, persons, services and capital can move freely*". The completion of the internal market means a wide range of choice.[22] The contribution of advertising in the establishment of a barrier-free market characterized by increased cross-border activities is undeniable. Since advertising reaches beyond the frontiers of Member States[23] it serves as a means of bringing the products offered "closer" and "easily available" to consumers, regardless of their location. The aim of the European legislator was to compile common rules on comparative advertising, enabling

[19] The innovation of this Directive was the inclusion of the definition of *comparative advertising* in art. 2, and the addition of art. 3a which lays down the eight conditions under which comparative advertising was permitted
[20] Supra note 7 rec. 2
[21] Supra note 7 art. 7 (2)
[22] Supra note 5 rec. 6
[23] Supra note 5 rec. 2

supranational entities to organize their international advertising campaigns and promote their goods and services throughout the Community.

B. *Stimulation of Competition*

Prior the enactment of the Directive, different national rules about the legitimacy requirements of comparative advertising were a barrier to the free circulation of goods and services and thus resulted in the distortion of competition. In accordance with rec. 2 of Directive 2006/11/EC, comparative advertising stimulates competition between suppliers of goods and services to the consumer's advantage. This could be achieved with a larger variety of products available in the market. In this way, increased level of competitiveness would lead to product improvement and innovation, as well as decrease the market prices. The preservation of competition can also be found in art. 4 (b) which declares that only comparisons between competing '*goods and services meeting the same needs or intended for the same purpose*' should be permitted; so, newcomers are free to enter into the market and challenge their rival's products as long as they comply with the Directive's requirements of legitimacy under art. 4.

C. *Increase of information available to consumers*

The freedom to information is guaranteed by the EU Charter of Fundamental Rights.[24] The right to information has also been recognized as a basic consumer right in the EU.[25] As long as the advertising includes verifiable and relevant features and demonstrates objectively the merits of the various comparable products, the comparison is lawful and permitted.[26] Consumers will be in the position to compare and get an overall view of the products available in the market and thus, make an informed and rational purchase decision.

D. *Protection of competitor's rights*

The heterogeneity of legal rules among the Member States was causing disparity and difficulty to many newcomers and especially "smaller" undertakings to enter into the market and "play in equal terms". Thus, an equivalent-level field needed to be established with the same opportunities, duties, benefits and drawbacks for all advertisers, regardless of their geographical basis. Therefore, even non-European rivals that promote their products in the

[24] EU Charter of Fundamental Rights, art. 11 (1): "*Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers*"

[25] Council Resolution of 14 April 1975 on a preliminary programme of the European Economic Community for a consumer protection and information policy, Annex point 3 (d), OJ C 92, 25.4.1975

[26] Supra note 5 art 4 (c)

European market through comparative advertising and their target is European consumers, are subject to the same legal regime as the EU advertisers. In this way, consumers can demonstrate and protect their rights against unfair commercial practices, employed by either European or non-European firms.

ii. Requirements for legitimacy

Until recently, different approaches of each jurisdiction concerning the legitimacy requirements of comparative advertisements formed a barrier to the free movement of goods and services through the Community. By the enactment of the Directive, these approaches were abandoned, and were replaced by common rules regulating the minimum permissible limits for comparative advertising. In accordance with art. 4 of the Directive, comparative advertising, i.e. advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor[27] is lawful and thus permitted as long as the following eight requirements are in place cumulatively. In particular, the above provision states as follows:

"Comparative advertising shall, as far as the comparison is concerned, be permitted when the following conditions are met:

a) it is not misleading within the meaning of Articles 2(b), 3 and 8(1) of this Directive or Articles 6 and 7 of Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market ('Unfair Commercial Practices Directive')

b) it compares goods or services meeting the same needs or intended for the same purpose

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

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

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

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

[27] Supra note 5 art. 2 (c)

g) *it does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name*

h) *it does not create confusion among traders, between the advertiser and a competitor or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor."*

These eight conditions are cumulative and formulated positively, i.e. their fulfillment in their entirety will render comparative advertising lawful and thus permitted. In general, two broad categories of requirements can be identified, which disallow comparative reference as for the following reasons: (i) misleading advertising and advertising that does not objectively relate to factual and verifiable characteristics of the goods or services (ii) reference that disparages a rival's trademarks, trade names and products, or that takes unfair advantage of a rival's reputation. Fundamentally, the first category of requirements [art. 4 (a), (b), (c), (e), (h)] aims at preserving the interests of consumers and other market participants, while the second category [art. 4 (d), (f), (g)] protects the exclusive rights of trademark owners.

The first group of legitimacy requirements, focusing on the information correctness and objectivity of comparative advertising, safeguards consumers' and other businesses' decision-making process. According to these provisions, the comparison must not be misleading and cause confusion to the detriment of the public, as further examined below:

aa. Article 4 (a)

Lil (a) prohibits misleading advertising[28] i.e. "*it must not contain false information and is therefore untruthful or in any way, including overall presentation, deceives or is likely to deceive the average consumer*".[29] This unfair commercial practice[30] can take the form either of an action, or an omission; therefore, even an omission of material information may deceive consumers. However, what is the common European standard to conclude whether the consumer has indeed been deceived? Should the justification rely on a factual claim (i.e. through the usage of opinion rolls that calculate the proportion of the public that has been misled) or a normative one (i.e. a standard kind of consumer is taken as the starting point for

[28] Supra note 5 art. 2(b): "*misleading advertising means any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which, for those reasons, injures or is likely to injure a competitor*"

[29] Supra note 11 art. 6 (1)

[30] Supra note 11 art. 2 (d): "*commercial practices mean any act, omission, course of conduct or representation, commercial communication including advertising and marketing, by a trader, directly connected with the promotion, sale or supply of a product to consumers*"

the evaluation)? Paradoxically, the jurisprudence of the European Court of Justice (ECJ) does not lean to a unanimous conclusion. While in some cases the standard of "*reasonably circumspect consumer*"[31] is normative, in another judgment[32] the ECJ stated that: "*Community law does not preclude the possibility that, where the national court has particular difficulty in assessing the misleading nature of the statement or description in question, it may have recourse, under the conditions laid down by its own national law, to a consumer research poll or an expert's report as guidance for its judgment*". However, based on recent ECJ judgements[33] it can be agreed that a *"significant number of consumers"* suffices, while "*the national court will have to take into account the perception of an average individual who is reasonably well-informed and reasonably observant and circumspect*".

bb. Article 4 (b)

The subject matter of the comparison must be goods and services that serve the same needs or are intended for the same purpose as per lil (b). The EU legislator does not require the goods/services to be identical, so even substitutable items can fall within this provision. Such a close similarity of the products guarantees the provision of essential information to the public.

cc. Article 4 (c)

The comparison must further concern "*material, relevant, verifiable and representative features*" of the products in question in accordance with lil (c). Material and relevant attributes are of great essence to consumers, especially when the latter depend their purchase choices on these characteristics (especially the price). In this way, consumers will obtain an overall picture of the products available in the market, and thus make a more rational and informed purchase decision meeting their needs. Verifiability includes proof of evidence, easily available to consumer (even after request) so as to confirm the trueness of the factual claims made in the comparative advertising. However, at this point the following concern arises: *"Can comparative image advertising[34] (i.e. comparisons that try to positively associate the advertised product with the compared one based on its image) fall within this provision?"* The answer leans to become negative; on the one hand, the image of a product

[31] Case C-470/93 *Verein gegen Unwesen in Handel und Gewerbe Köln eV and Mars GmbH* [1995] ECR I-01923, para. 24

[32] C-210/96, *Gut Springenheide GmbH v. Oberkreisdirektor des Kreises Steinfurt* [1998] ECR I-4657, para. 37

[33] Supra note 14 para. 52 (b)

[34] The negative aspects of comparative image advertising is that the image claim may discredit the rival product, or take unfair advantage of the rival's investment in building that image

is perceived subjectively by each person, so any attempt to make the product image a verifiable factual claim subject to objective comparison would end up fruitless; on the other hand, it is extremely difficult, or even impossible, to present a rival's market image precisely the same; the image claims would thus be rejected as inadmissible.[35]

dd. Article 4 (e)

This provision concerns comparisons between goods carrying a designation of origin, i.e. "*the comparison must relate to products with the same designation*". The geographical indication associates a product as originating from a specific area. More precisely, the protected designation of origin is the name of a place, a particular area, and in exceptional cases, the name of a country, used as an identification of an agricultural product or a foodstuff, which is produced in such a place, area, or country, and whose features and quality are significantly recognized by that particular place. Producers of such goods are interested in maintaining their well-known origin so as to reassure the exclusivity of their products.

ee. Article 4 (h)

Lil (h) seeks to protect traders against comparison that causes confusion in the course of B2B transactions. However, the introduction of this requirement creates the following paradox: Given that both misleading advertising and statement which causes confusion can adversely affect consumers' decision-making process and rivals' goodwill,[36] why did the EU legislator decide to make a distinction between these two kinds of comparison? To date, this question remains unanswered; in any case, the purpose of the Directive is to: "*provide a broad concept of comparative advertising to cover all modes of comparative advertising*".[37] At this point, another distinction needs to be clarified; while lil (h) explicitly refers *only* to comparisons that do not *cause* confusion, art. 2 (b) designates advertising as misleading if it "*deceives or is likely to deceive the persons to whom it is addressed*". Therefore, even though the likelihood of confusion is sufficient to cause trademark infringement under art. 10 (2) (b) of Directive (EU) 2015/2436[38] (Trademarks Directive), the risk/likelihood of confusion does not fall within this provision, leaving the causing of actual confusion as the only ground captured by this article.

[35] To date ECH has not issued a judgement about comparative image advertising
[36] Goodwill is reputation in the mark
[37] Supra note 5 rec. 8
[38] Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trademarks OJ L 336, 23.12.2015

The second category of requirements [art. 4 (d), (f), (g)] focuses on the protection of the exclusive rights of the trademark owners against trademark infringement, tarnishment and disparagement.

ff. Article 4 (d)

Lil (d) forbids statement that "*discredits or denigrates the trademarks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor*". The provision established the objectivity of the comparison as an essential legitimacy requirement. Even if the competitor's products are represented in an inferior and less advantageous light, the advertisement can still be regarded lawful, as long as it objectively compares real facts and activities. Critical comparisons involve the reference that a rival good/service is either overpriced or of inferior quality. However, a malicious and derogatory statement exceeds the acceptable limit of comparison and is thus, unlawful. This legitimacy requirement was further examined by the ECJ in *Pippig Augenoptik vs Hartlauer* case.[39] It held that reproducing the rival's logo and a picture of his shop front is allowed as long as the advertisement confronts with the requirements for lawfulness set out by the Directive.

gg. Article 4 (f)

Comparative advertising may not unfairly exploit or detract from the reputation of a competitor's distinguishing marks (i.e. trademarks and trade names) meaning that it is not allowed to unfairly take advantage of or dilute others' famous distinguishing marks.[40] This does not forbid the trader from mentioning the rival's trademark.[41] The violation of this provision occurs when, the advertiser does actually compare his product with that of the competitor, but rather aims at establishing an unfair connection between his product (usually less highly-regarded or less well-known) with a competing product affixed with a prestigious trademark, so as to establish association in consumers' minds. Such declarations that include the claim of equivalence between the competing products intend to cause positive association between the two products in consumers' minds.

However, at this point the following issue arises: Can an advertisement that fulfills the "*comparing material, relevant, verifiable and representative features*" requirement of lil (c)

[39] Case C-44/01, *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer* ECR I-03095 para. 84

[40] *"Germany: Comparative Advertising - The New Law",* White Paper by German law firm Gleiss Lutz Hootz Hirsch of 5 February 2001, available here [accessed 14 September 2021]

[41] Supra note 39 para. 51: "*In the context of comparative advertising, therefore, it is open to an advertiser to state the trademark of a competitor*."

still exploit a rival's famous distinguishing mark? The answer differs depending on each case. An illustrative example is the promotion of generic drugs. These products are bioequivalent and thus appropriate for a comparison of their "*material, relevant, verifiable and representative features*" with the branded proprietary drugs. Under the condition that the drug's advertisement promotes the pharmaceutical as an alternative to the branded product and does not exploit the latter's repute, it does not violate art. 4 (f). On the other hand, the following case proves that an advertiser can comply with the requirement of art. 4 (c) but still exploit the reputation of his rival's distinguishing mark. Supposing that Opel advertises its car alongside with Toyota, includes the Toyota logo in the advertisement and accentuates its superiority by stating: "We can provide all this, plus better guaranteed protection". This statement is comparative, yet the particular feature of protection is objectively compared. Even though the advertisement is in line with the requirements of art. 4 (c), it still exploits the fame of the rival's logo and thus violates art. 4 (f).

However, this provision should not be construed excessively strictly to the detriment of the advertiser: since the comparative advertising is generally permitted, then why should the public not know that a less expensive (unknown) product is in the market that has essentially common attributes as a famous, yet very expensive product?

hh. Article 4 (g)

Comparative advertising if further disallowed to *"present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name".* This provision mainly applies in cases of generic pharmaceutical products. In particular, promoting this type of products can be regarded as presenting the latter as imitations or replicas of the branded proprietary drugs, the patent of which has expired, e.g. stating that the product is 'the same' as the original one. Even though this statement is true (i.e. the drug's composition and ingredients are indeed the same), promoting the product as 'the same' can cause confusion to consumers' minds as per the authenticity of the product. However, in case the ECJ rules this provision and removes generic drugs from the scope of lawful and permitted comparative advertising, product information helpful for the public may be forbidden for future comparisons.

All in all, the legislation on comparative advertising is regarded as a manifestation of the freedom of commercial speech under the European Convention of Human Rights (ECHR).[42] The above legitimacy requirements determine which commercial practices relating to comparative advertising may distort competition, be detrimental to competitors and have an adverse effect on consumer choice.[43] When they are cumulatively satisfied, comparative advertising is inherently permissible and lawful[44] and needs to be construed in a most advantageous manner for consumers' benefits. However, as also provided by the ECHR[45] the freedom to comparative advertising can be subject to specific restrictions to strike a fair balance between the conflicting interests of the advertisers, competitors, trademark owners and consumers.

Furthermore, art. 8 provides that:

> *"This Directive shall not preclude Member States from retaining or adopting provisions with a view to ensuring more extensive protection, with regard to misleading advertising, for traders and competitors.*
>
> *The first subparagraph shall not apply to comparative advertising as far as the comparison is concerned."*

The Directive has to be implemented in the national law of each Member State. National law needs to be interpreted in line with the Directive's provisions, i.e. the national legislator cannot impede the achievement of its objectives and has no competence in establishing deviating national rules. In particular, the national legislator is legally bound by the Directive's provisions about the requirements for legitimacy which further aim at a full-scale harmonization of national laws. Hence, art. 4 can in fact be understood as a list of permissibility and forbiddance all together. What needs to be ensured with the compliance with these requirements is that comparative advertising is not used in an anti-competitive and illegitimate way harming consumers' interests.

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[42] European Convention on Human Rights, art. 10 (1): "*Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers*"

[43] Supra note 5 rec. 9

[44] Supra note 39 para. 54: "*Given the cumulative nature of the requirements set out in Article 3a (1) of Directive 84/450, such comparative advertising is prohibited by Community law*"

[45] Supra note 42 art. 10 (2): "*The exercise of these freedoms, since it carries with it duties and responsibilities, may be subject to such formalities, conditions, restrictions or penalties as are prescribed by law and are necessary in a democratic society*"

2.3. Categories of Comparative Advertising

As provided in rec. 8 of the Misleading and Comparative Advertising Directive 2006/11/EC: *"it is desirable to provide a broad concept of comparative advertising to cover all modes of comparative advertising".* Hence, categorization is crucial since the notion of *'comparative advertising'* covers different types of advertising claims, which under the national rules of Member States might result in different legal conclusions and evaluations.

2.3.1. Direct and indirect: which one is more effective?

The degree of explicitness of the comparison (degree of identification) serves as a crucial criterion that differentiates comparative advertising between direct and indirect. On the one hand, the reference to the rival may be explicit when the rival (trademark, trade name) is expressly stated in the advertising.[46] On the other hand, the reference may be tacit in cases where the rival is not mentioned explicitly, but the special design, wording and other circumstances help the consumer to easily understand whose good/service is being compared with that of the advertiser. A recent analysis of the content of television advertisements in the USA revealed that 60% contained indirect comparative statements, 20% direct comparative claims and 20% no comparative statements.[47]

A. Direct Comparative Advertising ("Our brand is better than brand X")

The direct advertising is an advertising strategy by which the advertiser compares attributes of his products with specific characteristics of an explicitly named or recognizably presented rival brand.[48] The underlying idea is to *differentiate* the advertised brand from the comparison brand. This differentiation can take place with three ways: (i) by positioning the advertised brand as superior on an characteristic that is typically associated with the famous or typical brands in the specific category and thus demonstrating that it has better performance features;[49] (ii) by lowering the perception of consumers towards the compared product when the featured characteristic is typical of the category and the advertised

[46] Comparative advertising has become particularly popular is recent years, especially in the sectors of motoring, food and retail, which depend on aggressive marketing practices

[47] Millis B. "*Comparative Advertising: Should it be allowed?*" [1995] 9 EIPR 417 at 417

[48] Pechman C. and Stewart W.D. "*The Development of a Contingency Model of Comparative Advertising*" Working Paper no. 90-108, Marketing Science Institute, Cambridge, Massachusetts, 2011

[49] Pechmann C. and Stewart W. D. "*The Effects of Comparative Advertising on Attention, Memory, and Purchase Intentions*" Journal of Consumer Research, vol. 17, no. 2, Oxford University Press, 1990, p. 180, available here [accessed 21 September 2021]

product is familiar; (iii) by selecting a feature which is not usually associated with typical brands, but that is, nevertheless, essential to a small segment of the market. The latter way is rare since the atypical characteristic might be negatively correlated with other features that the typical brands possess.

As mentioned in the Introduction, the FTC allowed brands to explicitly name other brands in their advertisements from the year 1971. Now it advocates in particular the use of direct comparative advertising since it would attract more attention due to its novelty. Arguably, direct comparative ads serve as a more effective means to communicate the product differentiation to the public.[50] As the years go by, however, this principle seems to gradually fade away. A significant disadvantage in naming directly the competitor is the increased likelihood of sponsor misidentification. On the one hand, it is likely that the public gets confused and miscomprehends the advertisements since they may consider that the advertisement is sponsored by the comparison brand and the two businesses cooperate or at least belong to the same association. On the other hand, due to over-information and memory decay, consumers might forget which brand is superior. Moreover, direct comparisons may increase mind awareness of the compared products. The more exposed the consumers are to the advertisement, the more likely it is to retrieve the compared brand from their memory store.

Despite these drawbacks, direct comparative claims seem to be the most effective way in promoting the advertised products and enhancing the purchase intentions. Direct statements are more likely to have an *associational effect*; these claims essentially associate the advertised brand with the more famous and higher-regarded comparative brand with regard to their perceived similarity (*consumers' brand similarity perceptions*).[51]

B. Indirect Comparative Advertising ("Our brand is better than other brands!")

On the other hand, indirect comparative claims do not refer directly to specific competitive brands; they are in fact recognizable references to a determined competitor or his products without namely mentioned but indirectly, by insinuation or implication,[52] and a significant part of the target public is of the opinion that the comparison affects him.[53] The competing

[50] Pechmann C. and Ratneshwar "*The Use of Comparative Advertising for Brand Positioning: Association Versus Differentiation*" Journal of Consumer Research, vol. 18, no. 2, 1991 p. 145
[51] Ibid p. 146
[52] Supra note 14 para. 31: "*it is therefore sufficient for a representation to be made in any form which refers, even by implication, to a competitor or to the goods or services which he offers*"
[53] BGH, 25.04.2002 GRUR 2002, 982DIE *„STEINZEIT" IST VORBEI*!

brand will be presented as the leading brand. A general comparison would be a statement such as the advertised brand has the best performance.[54]

Indirect identification results from a variety of facts, the most common of which are:

- Using a sign confusingly similar to the rival's trademark[55]
- Relying on a rival's advertisement known in the public, regarding to the time and place of the ad[56]
- Stating the competitor's place of production and sale[57]
- Presenting the competitor's premises[58]

In case of indirect comparisons, however, the public is likely to subconsciously recall the identity of the targeted brand. So, when later, at the moment of purchase, the consumers evaluate the products, they might mistakenly believe that the rival is at parity with the promoted brand.

While both direct and indirect identifications encourage the establishment of comparative evaluations in consumers' mind, the effectiveness of these two kinds of comparative ads should differ based on consumers' reference points. Having compared the two types of advertising, it can be easily argued that direct comparative advertisements are more likely to create the intended *differentiation* between the products under comparison and thus highlight the superiority of the advertised product.

2.3.2. Other criteria for distinguishing different types

Another crucial criterion for distinguishing different categories of comparative ads is the '*nature of the object of comparison'*. The object of the comparison is mostly the product or service promoted by the advertiser on the one hand, and those of his rivals' on the other hand (e.g. car A has as many features as car B, but car A costs less). In such cases, the product/service is expressly addressed and its producer is easily identifiable or already identified. It needs to be clear and undeniable that the competitor is affected by the

[54] Hofer, F., *Comparative Advertising in Europe: recent developments,* 2003
[55] C-533/06 *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited* ECR I-04231
[56] *OLG Frankfurt*, 13.01.2000 GRUR 2000, 621, 622
[57] *OLG Hamm*, 11.12.1975 GRUR 1977, 38 *"Düsseldorf's largest furniture store is located in Mönchengladbach"* as a reference to the furniture stores in Düsseldorf
[58] Supra note 39 para. 76: *"Reference in advertising to a competitor's commercial premises or shop addresses constitutes a valid means of identifying the competitor, accepted by the 14th recital in the preamble to Directive 97/55"*

advertisement; therefore, such statement must be clear and needs to establish a link between not only the advertiser and his rival, but also between the products under comparison.

Moreover, the object of the comparison can be not only a single product, but rather a '*whole category or range of products with specific attributes'* ('*systems comparisons*'). This form of comparative statement is usually met in advertisements of industry associations and trade, by promoting their products and comparing them to substitute products of other industries.[59] Therefore, in the '*systems comparisons'* the subject matter of the comparison is not a particular brand or producer, but rather an entire branch of industry and a whole class of products. [60]

The following category of comparative ads does not explicitly compare the products of rivals, but, on the contrary, focuses on the *'identity of the rivals themselves and their personal attributes'* (e.g. reference to religion, nationality, state of health, professional experience and conduct, gender, race). However, at this point the following inconsistency of the provisions of the Directive 2006/11/EC needs to be pointed out: while art. 2 (c) includes the reference to *"the rival himself as well as his products"*, art. 4 (b) clearly provides that comparative advertising is only permitted where it compares "*goods and services*". Some commentators argue that this difference in the wording should not mean a forbiddance to the advertisements that exclusively refer to the personal characteristics of a rival; others oppose that such a reference is not in line with the Misleading and Comparative Advertising Directive.[61] Another suggestion to mitigate the conflicting opinions is to classify statements to personal characteristics of a rival as 'statement to his services', and therefore fall within the application of art. 4 (b).[62] Some commentators however, compel this solution, agreeing that the rival himself and his services are two different categories. However, the intention of some commentators to include this type of advertising into the Directive is justifiable;[63] reference to personal characteristics can be proved as detrimental as reference to certain product attributes, particularly in industry associations where a brand's image is critical for success in the open market. For the above reason, it cannot be hypothesized that the

[59] e.g. an association of glass bottles production alleges that these bottles are more environment friendly compared to plastic bottles, since they can be recycles

[60] Bodewig T. "*The Regulation of Comparative Advertising in the European Union*" vol. 9 (1994) pp. 182-183

[61] Tilmann, W., *"Richtlinie vergleichende Werbung"* GRUR 1997, 790, p. 795

[62] Ohly, A. and Spence M. "*The Law of Comparative Advertising: Directive 97/55/EC in the United Kingdom and Germany*" Oxford and Portland, Oregon: Hart Publishing, 2000, p. 50

[63] *Ibid*

inconsistency between the two articles was intended; the courts are called to shed more light on these conflicting opinions in each case.

The '*degree of honor or offensiveness' (favorable versus critical comparisons)* constitutes a crucial criterion for establishing another category of comparative ads. Critical references are mostly met in comparative advertising; the advertiser praises the virtues of his wares by declaring that his product/service is of superior quality and performance compared to its rival's and thereby indirectly criticizes the latter. The reference to the rival can, however, be positive by referring that his product is 'as good as' his competitor's, or manufactured the same way. In this case, the advertiser does not criticize the rival product, but rather aims at participating in the good repute of his rival's brand and use it as a tool to promote his own product. Positive and negative claims can also be combined in the same statement: "*as good as . . . but cheaper*."

Finally, the '*degree of truthfulness or falsehood and deceptiveness'* in the ads also distinguishes different types of comparative advertising. The comparison claims can either be correct, and thus objectively interpreted and easily verifiable, or false. Usually, a false claim will also be misleading and thus deceptive; exception when the falsehood is easily comprehensible by the public. The opposite does not always hold; even a true statement can be misleading. The features compared positively and preferably for the advertiser's good, may be of little relevance for the overall assessment of the good, or the comparison might only stress out attributes which are really superior, but in other equally relevant occasions, the good is inferior.

All of the different categories of comparative advertising need as a prerequisite the fair balancing of the interests involved, as analyzed below.

2.4. Interests involved

When determining the legitimacy of comparative advertising under both national and European law, a balance among the rights and legitimate interests of the advertiser, rival(s), consumers, and the public at large needs to be stroke.

a. The rights of the advertiser

The most prominent interests that the advertiser tries to preserve through the comparative advertising are those of informing the prospective buyers about his products/services and

convincing them to select his products over the others displayed in the market. As mentioned in Section 2.1. (Definition and Overview) the primary goal of comparative advertising is to persuade or motivate the public to purchase the specific advertised products; whereas actually the provision of factual information to the public about the products serves only as secondary aim of advertising; so only the information that accomplishes the first objective is used. Thus, the advertiser is interested in adopting the most cut-edge and efficient strategy of conveying such information and building purchase intentions. Provided that advertising is the most effective means employed by the advertiser to compete with a rival, he will compare his goods/services with those of his competitor by underlining the positive features of his products and their superiority over the rival ones. In addition, the legislation on comparative advertising is regarded as a manifestation of the freedom of commercial speech under the ECHR.[64] This gives the advertiser the right to publicly express his opinion about his products and the competitive ones, provided that some specific borderlines and restrictions are enforced to strike a fair balance among the conflicting interests of the stakeholders and preserve the democratic values.[65]

b. The rights of the competitor

Since comparative advertising is permitted by law under specific legitimacy requirements, it seems that competitor cannot actually object and forbid the usage of his trademark by the advertiser. However, he has as a minimum standard the interest in reassuring that the comparisons are true, not misleading and they do not discredit his reputation. More specifically, the rival wishes not to be used as a vehicle for the promotion of the advertiser's products, either *positively* by taking advantage of his product's good reputation and using it as a minimum quality standard that the advertiser already 'theoretically' meets and transcends (usually in the form of lower prices), or *negatively* by criticizing some of the competitive product's features and thus, emphasizing the allegedly superiority of his products. Moreover, the rival also has an interest in having his goods evaluated and compared by the public on its own merits, and not be misled by the advertiser's biased comparisons and malicious intentions.

c. The rights of consumers and the public at large

Consumers and the public at large have the primary interest in being informed as objectively and thoroughly as possible, so as to be encouraged to accomplish their role in an economy

[64] Supra note 42
[65] Supra note 45

market by facilitating their decision-making process. As indicated above, the freedom to information is guaranteed by the EU Charter of Fundamental Rights and has also been recognized as a basic consumer right in the EU.[66] Consumers do not pay actual attention on the source of information as long as they are comprehensive and compare "*material, relevant and representative features"* of the products in a verifiable manner. However, based on a consumer research that studied consumers' purchasing behavior, it was observed that everyday people find it difficult to make rational and informed decisions when evaluating at the same time more than seven features of the competing products. Therefore, comparative advertising that involves irrelevant features of the competing products can distort the customers' buying process and thus, harm the public interest. However, when comparative advertising accentuates the positive characteristics as well as the deficiencies of the competing products in a truthful and fair way, it is a significant (and gratis) source of information and therefore, a valuable asset for the community at large that preserves the consumers' interests. This can be easily verified, since the access to other sources of information (e.g. tests by associations, collection of information on each consumer's own) can be really costly or impossible.

d. Parallelism and balancing of conflicting interests

From the description above, it is evidenced that many interests of the stakeholders coincide with each other and this leads to potential conflict. The absolute forbiddance of all forms of comparative advertising is unjustifiable, and so is the unconditional freedom, which can cause unequal treatment of the parties' interests.

The conflict between the advertiser and the rival is the most common type of dispute. One the one hand, the advertiser wishes to promote his products through the usage of the competitor's name and distinguishing mark as a standard of quality, which he (theoretically) meets and exceeds; on the other hand, the rival wishes not to be used as a vehicle for the advertiser's purposes. The interests of the public lie somewhere in the middle: if the statement is misleading and deceptive, the consumer will take competitor's part; if the comparison is useful and true, he will side with the advertiser. However, in the case of comparative advertising, the distribution of rights and interests differs from that of a normal advertising. If the comparative statements are misleading and deceptive, the legitimate interests of the consumer and the rival coincide and both will object to such unfair commercial practices. Such *parallelism of interests* can be found also in non-comparative

[66] Supra notes 24 and 25

statements. Neither the rival nor the consumer will oppose to such advertising practices. The scenario of comparative advertising differentiates the outcome; while the consumer appreciates the true and objective comparative advertising, the rival opposes to it.[67]

Comparative practices are thus likely to trigger 'advertising wars' and initiate 'legal wars' since the attacked competitor will oppose to the biased claims through counter-advertisements and legal action. As a final point, the informational value of the ads for the public is only negligible, because the counter-advertisements only aim at mitigating the effects of the prejudiced claims of the first comparative advertising. At the end of this debate, the benefits of the consumer are limited, since he is not actually better informed about the competing products, but on the contrary, he will be obliged to pay higher prices occurred from the competing campaigns. On the other hand, many agree that a liberalization of comparative claims could help small and middle sized enterprises since this could be the only available way to promote their products in the competing market.[68] However, it remains doubtful whether the small corporations would have the power to compete the other big rivals in the 'advertising war'. [69]

Member States follow different legal approaches for the balancing of the competing interests and this indicates that the law for comparative advertising is far from being fully harmonized. Some Member States enforce intermediate solutions to mitigate the extreme approaches of total forbiddance and absolute freedom. Such heterogeneity is not applicable in cases of systems comparisons and personal comparisons; here Member States adopt common solutions for the better balancing of the conflicting rights. System comparisons are generally permitted as long as they are not false and misleading; the comparison is limited to critical or favorable statements to the products of identified or easily identifiable rivals. On the other hand, personal comparisons are always prohibited; a legitimate interest can seldom be detected for the advertiser to mention personal characteristics of the competitor.

It seems that the balancing of the above conflicting interests is a difficult and demanding task that comparative advertising imposes on each national jurisdiction, while the balancing

[67] Supra note 60 pp. 187-190

[68] Boddewyn J., *Comparison Advertising: Advantages and Disadvantages for Consumers, Competitors, Media, Industry and the Marketplace*, Unfair Advertising and Comparative Advertising Eric Balate ed., 1988, p. 178

[69] It has been argued that smaller companies do not resort to comparative advertising. See Bourgoignie Th., *Comparative Advertising and the Protection of Consumer Interests in Europe: Reconcile the Irreconcilable?* 3 EUR. CONSUMER L.J. (1992) p. 17

needs to be in line with the proportionality principle for the better protection of all stakeholders.

3. Comparative Advertising and Trademark Infringement

In the twentieth century many continental civil-law jurisdictions considered the direct reference to a rival as an '*unfair*' commercial practice per se, aiming to free ride on the competitor's reputation and misappropriate his market position. Still in the twenty-first century the reality has not changed dramatically; the misuse of comparative advertising continues to threaten trademark owner's exclusive rights and cause trademark-related losses. At this point, it is crucial to take a closer look at trademark law in general and its interaction with comparative advertising.

3.1. An Overview on Trademark Law

A *trademark* or *tradename* is a legally protected name, word, symbol or design used by a manufacturer or seller to *identify* his product and *differentiate* it from other products of similar kind displayed in the market.[70] Generally, a trademark does not reveal direct and specific information about the characteristics and specification of the product; it simply defines its maker. The consumer infers details and information about the attributes of the product by recalling previous consuming experiences and thus concluding in future transactions. The trademark thus only identifies the product and consequently its producer; it is the public that needs to remember each company, its reputation and product quality.

Directive 2008/95/EC[71] had been proven sufficient enough for an initial partial harmonization of central provisions of substantive trademark law, which were directly affecting the functioning of the internal market by impeding the free movement of goods and the freedom to provide services in the Union.[72] The European lawmaker acknowledged that it was necessary to go beyond the limited scope of approximation achieved by this Directive and extend approximation to other aspects of substantive trademark law. For this reason, Directive (EU) 2015/2436 (Trademarks Directive) was adopted, amending the former version and focusing on further harmonization that could have a positive impact on the

[70] Economides N., Trademarks. *The New Palgrave Dictionary of Economics and the Law* (Peter Newman, Ed.), May 1998, available here [accessed 1 October 2021]
[71] Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks, OJ L 299, 8.11.2008
[72] Supra note 38 rec. 2

growth and competitiveness of European businesses, in particular small and medium-sized enterprises, and thus facilitate the protection of trademarks in the internal market of the Union.[73]

For a trademark right to be legally valid, three requirements need to be in place cumulatively. First of all, a trademark may consist of any signs, in particular words, including personal names, designs, letters, numerals, colors, and even the shape of goods or the packaging of goods, or sounds, provided that such signs are capable of: (a) distinguishing the goods or services of one undertaking from those of other undertakings; and (b) being represented on the register in a manner (usually graphically)[74] which enables the competent authorities and the public to determine the clear and precise subject matter of the protection afforded to its proprietor.[75] *Distinctiveness* is the second condition; this means that the public can *recognize* a sign as trademark and *distinguish* it from others within a properly determined product category.[76] The condition of distinctiveness guarantees that a sign (for which legal protection is sought) is not identical, or even too similar to other existing intellectual property rights.[77] The third condition concentrates on the *absolute grounds for refusal*,[78] precluding the non-distinctive, functional and generic[79] words or signs from registration.

3.2. Basic Trademark Functions in Advertising

In our today's world, which has evolved into a 'global village', trademark comes to play a significant role in distinguishing the products of one undertaking from another. "*Trademark is an emblem or motto that conveys limited property rights in a certain word, phrase or symbol. Its aim is to identify the source of a product which helps the customer to identify the product placed with products of similar kinds*".[80] Trademark awards individuality to a product and this enables the public to identify the specific product with others of similar kind. The

[73] *Ibid* rec. 7 and 8
[74] Mendonça, S., Pereira, T.S. and Godinho, M.M., 2004. *Trademarks as an Indicator of Innovation and Industrial Change* Research Policy 33 (9), pp. 1385-1404
[75] Supra note 38 art. 3
[76] Besen, S.M. and Raskind, L.J., 1991. *An Introduction to the Law and Economics of Intellectual Property*. Journal of Economic Perspectives 5 (1), 3-27.
[77] *Ibid*
[78] Supra note 38 art. 4
[79] The word "*Apple*" is a generic term for this product category of fruits and thus, it is not eligible for registration identifying food. However, it can qualify for registration to identify computers
[80] Per J Kozinski in *New Kids on the Block v. New Am. Pub., Inc.,* 971 F.2d 302, 305, 23 U.S.P.Q.2d (BNA) 1534, 1536 (9th Cir. 1992)

primary goal of a trademark is thus to determine the source (origin) of a product, while also guarantees its quality and thus facilitates the establishment of a brand image through the advertisement and promotion. Aiming at consolidating their superiority in the market place, undertakings adopt efficient advertising techniques that utilize trademarks, tradenames and symbols that combine both informational and persuasive features to establish a direct link with their actual customers and prospective buyers.[81]

The first evident element of the advertising that catches the consumers' eye is the trademark; thus, the above advertising technique relies on the *use* of the trademark of the good/service in the advertisement to draw the potential consumer towards the specific product. What sells is the trademark; it helps consumers to associate it with the particular products advertised for the ease of promotion. The capital bold letter "M" brings the McDonalds food chain in consumers' mind, as well as the figure of a crocodile for the Lacoste brand. It wouldn't be irrational to admit that we rely our lives on symbols since "*The protection of trademarks is the law's recognition of the psychological function of symbols. If it is true that we live by symbols, it is no less true that we purchase goods by them. A trademark is a merchandising shortcut which induces a purchaser to select what he wants, or what he has been led to believe he wants".*[82] Through the advertisement of the trademark, the desirability of the product is conveyed to the public's mind.[83] The advertising function of trademarks assists in creating a monopoly in favor of the advertiser and therefore averting the diversion of sales to competing companies.[84]

Trademark has thus evolved to an extraneous expression of goodwill; an intangible asset of the undertakings that connects the latter with its products/services. Trademarks establish goodwill for the trademark owner since the latter invest in the better promotion of his trademark. The advertisement creates fictitious needs; the consumers' desire to purchase the advertised product affixing the specific trademark is caused by the trademark's goodwill[85] which enjoys greater superiority in the competitive marketplace. The protection of trademarks is justified by their contribution to the effective functioning of a competitive internal market by guaranteeing that the public can easily find again the products they

[81] Supra note 70. Also "*Intel Inside*" is a prominent marketing phrase (slogan) that has created a strong connection between the company and its end customers
[82] Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203, 205, 53, USPQ 323, 324-25 (1942)
[83] *Ibid*
[84] Amin Naser M. *"Re-Examining the Functions of Trademark Law"*, 8 Chi.-Kent J. Intell. Prop. 99 (2008)
[85] Mouery D. D., *"Trademark Law And The Bottom Line Coke Is It!"*, 2 Barry L. Rev. 107(2001) p. 115

desire from the same manufacturer they had initially trusted, or can find products whose reputation has been fostered through advertising.

While the identification of the origin serves as the primary function of trademarks, the guarantee of quality, advertising of the product, investment, communication and provision of information to prospective buyers have been recognized as the secondary trademark functions. Trademarks identify the source of products, helping consumers to easily find and buy again the same products by just recalling the positive experience they had previously enjoyed. They further communicate to the public the necessary details of the product (informative advertising function)[86] and thus facilitate their decision-making process. Therefore, it can be argued that most of the times, the preference of a consumer to purchase a specific advertised product is based on the recognition of the trademark of that product. For example, when someone is interested in purchasing an iPod, he will automatically bring in mind the Apple logo; that is the influence of the trademark. The trademark of Apple symbolizes the goodwill attached with the Apple iPods, and that goodwill attached with the apple logo is what attracts consumers to select the Apple product.

In *Advertising and Public Interest*,[87] Ralph Brown states that trademarks per se were without any particular value to the public; the interest of the public inhered in the power of the trademark to provide sufficient information to the public about the products in the market and prevent confusion in their decision-making process. He further accentuates that the legal protection awarded to trademark must be examined in connection with the degree that the advertising per se served the public interest. Since the latter relies on the advancement of competition through advertising, the author suggests that sufficient information needs to be communicated to the prospective buyers about the products they

[86] *Ibid* p. 116. Here the author clarifies that the functions of adverting are identical with trademark law, i.e. the prevention of likelihood of confusion. The author further refers to Courtland L. Bovee & William F. Arens, *Contemporary Advertising 6-7*, (2nd ed., Irwin 1986) and he summarizes the functions of advertising as follows: (a) identification of goods/services and differentiation from others, b) provision of information about the product's features and special characteristics, c) influence the public to try new products, d) increase the product usage, e) establish product preference and product loyalty. The author compares these functions with the functions of trademark and concludes that if an advertisement using a trademark simply identifies the product under question and distinguishes it from others of the same kind, the likelihood of confusion is prevented and the advertisement fosters the sales for the benefit of the trademark owner; thus, the advertising functions promote the utilization of trademarks

[87] Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols,* 57 ALE L.J. 1165, 1206 (1948), reprinted in 108 YALE L.J. 1619, 1659 (1999) available here [accessed 3 October 2021]

may select. Where the law protects the informative function of advertising, it encourages at the same time the promotion of competition and fosters the public interest.[88] The author suggests that the law should protect the integrity of trademark so as to avoid the confusion and deception of consumers; this would facilitate product sellers to properly inform the public through advertising. At Ralf's position trademarks had little legal value, except the symbolized information about the advertised products; however, this theory is, especially nowadays, far from reality. Undertakings utilize their trademark to promote their products and consumers attach more and more faith to the trademark and the product in which it is affixed.

3.3. Use of a rival trademark in Comparative Advertising

Since the beginning of product chain, the owner of trademark invests in the establishment and preservation of his trademark, which is designed to differentiate the product under question from the others and provide the public with clear indications of the product's quality, special characteristics, status, duration and performance. Distinctive marks play a crucial role in the establishment of the competitive markets; thus, efforts and investments for the development of the trademark '*goodwill'* must not lapse because of someone else's unauthorized and illegitimate use of the trademark.

3.3.1. The trademark use doctrine as requirement of trademark infringement

Since the trademark constitutes an Intellectual Property asset owned by an undertaking, it has the rights to be protected against misuse. The trademark owner's efforts and financial investments in establishing and fostering his trademark's '*goodwill'* must not be aggravated by a rival exploiting the trademark to catch its limelight; the unauthorised and unlawful use of a competitor's trademark with the aim of taking unfair advantage of its reputation and free riding on the rival's coat tails bring as a result the dilution of the trademark. At this point we shall analyse how '*use'* can actually be established as a prerequisite of trademark infringement.

[88] Litman J., *Breakfast with Batman: the Public Interest in the Advertising Age* (February 1999). Yale Law Journal, Vol. 108, No. 7, 1999, pp.4-5 available here [accessed 3 October 2021]

The *trademark use doctrine* has always been in the background of trademark law and sets the extent and limits of trademark owner's rights. The European courts had acknowledged that in order to prevent the protection afforded to the proprietor varying from one Member State to another, the ECJ had to give a uniform interpretation to art. 5 (1) of Directive 89/104/EEC (corresponding to art. 10 (1) of the Recast Directive (EU) 2015/2436) and in particular to the term *'use'*.[89] The context of '*use'* is always followed by the '*in the course of trade'* requirement, which is widely met in a number of cases[90] as "*the use of the sign identical to the mark is indeed use in the course of trade, since it takes place in the context of commercial activity with a view to economic advantage and not as a private matter*". Art. 10 (3) of Trademarks Directive (EU) 2015/2436 lays down the circumstances under which the trademark can be '*used'* in the course of commerce, and in particular by: (a) affixing the sign to the goods or to the packaging thereof; (b) offering the goods or putting them on the market, or stocking them for those purposes, under the sign, or offering or supplying services thereunder; (c) importing or exporting the goods under the sign; (d) using the sign as a trade or company name or part of a trade or company name; (e) using the sign on business papers and in advertising; (f) using the sign in comparative advertising in a manner that is contrary to Directive 2006/114/EC.

The Directive further provides that "*an infringement of a trade mark can only be established if there is a finding that the infringing mark or sign is used in the course of trade for the purposes of distinguishing goods or services*" and that "*the concept of infringement of a trade mark should also comprise the use of the sign as a trade name or similar designation, as long as such use is made for the purposes of distinguishing goods or services*."[91] Therefore, the *'use'* will result to infringement when the three conditions are satisfied at the same time: (i) use *in the course of trade*; (ii) use for the purposes of *distinguishing;* (iii) use of the sign *as a trademark*.

The "*use in commerce*" requirement creates a connection between the trademark and the product in question in the minds of consumers. Only when the public associates goods with a specific manufacturer, it is likely to get confused when the identical or similar trademark is used by a competitor trader. By the time trademark rights and consumer understanding are consolidated, the two main purposes of trademark law is to preserve these rights and the integrity of consumer understanding by eliminating their confusion or at least minimizing

[89] Case C-206/01 *Arsenal Football Club plc v Matthew Reed* [2002] I-10273 para. 45
[90] *Ibid* para.40; See also Case C-48/05 *Adam Opel AG v Autec AG* [2007] I-01017 para. 18
[91] Supra note 38 rec. 18-19

the likelihood of confusion caused by the interference of third parties in their understanding. Rec. 19 of the Trademarks Directive sets the third condition, stating that: "*The concept of infringement of a trade mark should also comprise the use of the sign as a trade name or similar designation, as long as such use is made for the purposes of distinguishing goods or services*". Therefore, the consumer understanding will only be established when the sign is used "*as a trade name or similar designation*", i.e. the source-identification cannot exist without the presence of the trademark use. A more careful reading of the above provision can thus reveal that the *infringement doctrine* will thus restrict infringement to the specific types of uses laid down in the provisions, i.e. use of the trademark as a brand in the course of trade to distinguish the competing products from one another.

3.3.2. Trademark Rights in relation to lawful Comparative Advertising

In the cases *L'Oréal v Bellure*[92] and *O2 v. Hutchinson*[93] the Court had already held that: "*The use by an advertiser, in a comparative advertisement, of a sign identical with, or similar to, the mark of a competitor for the purposes of identifying the goods and services offered by the latter can be regarded as use for the advertiser's own goods and services for the purposes of Article 5(1) and (2) of Directive 89/104 concerning trademarks.*" As mentioned in the Section above, such use must fulfil the following three requirements: (i) use *in the course of trade*; (ii) use with the aim of *distinguishing* the competing products; (iii) use of the sign *as a trademark*.

The European legislator seems to be in favour of comparative advertising,[94] and its promotion would be impossible if any kind of comparative advertising was prohibited due to claims made to a rival's trademark. A closer look at rec. 13-15 of the Misleading and Comparative Advertising Directive 2006/114/EC reveals that constraining the rights of the trademark owner to a justifiable extent is a necessary and inevitable measure to support comparative advertising. Even though this Directive develops a barrier effect on the trademark holder's exclusive rights, this does mean that the provisions of the Misleading and Comparative Advertising Directive are prior to those of Trademarks Directive.[95] Vice

[92] Case C-487/07 *L'Oréal SA, Lancôme parfums et beauté & Cie SNC, Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd, Starion International Ltd* [2009] I-05185 para 53
[93] Supra note 55 para 36
[94] Supra note 5 rec. 6-8
[95] Supra note 55 para 6: "*such use of another's trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus to highlight differences objectively*"

versa, trademark law must not impose further restrictions on comparative advertising other than those permitted by art. 4 of Directive 2006/114/EC. Hence, the provision of both Misleading and Comparative Advertising and Trademarks Directives apply in parallel; therefore, the use of a rival trademark should not result in the infringement of the exclusive rights of a third-party provided that the legitimacy requirements mentioned in both the Misleading and Comparative Advertising and Trademarks Directives are satisfied and the comparative advertising's goal is to objectively stress out the differences of the comparable products.

Furthermore, art. 14 para 1 of Trademarks Directive deals with the limitations of the effects of a trademark; in particular lil (c) clarifies that*: "a trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade: (c) the trade mark for the purpose of identifying or referring to goods or services as those of the proprietor of that trade mark, in particular, where the use of the trade mark is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts",* as long as such use is made in accordance with honest practices in industrial or commercial matters.[96]

The "*with honest practices"* context constitutes an indeterminate legal term and there is no consensus in its exact definition. A satisfying approach on the construction of this notion was given in the *Gillette v Laboratories Ltd Oy* case [97] where the Court acknowledged that: *"the condition of 'honest use' within the meaning of Article 6(1)(c) of Directive 89/104, constitutes in substance the expression of a duty to act fairly in relation to the legitimate interests of the trade mark owner."* On the other hand, the "*in industrial or commercial matters*" context, alternatively "*use in the course of trade*", is widely met in a number of cases[98] as "*the use of the sign identical to the mark is indeed use in the course of trade, since it takes place in the context of commercial activity with a view to economic advantage and not as a private matter*". As long as these two conditions are satisfied, and the use of a rival trademark "*does not take unfair advantage of, or is not detrimental to the distinctive character or the repute of the trademark*",[99] such *use* can be considered lawful and thus, permitted.

3.3.3. Trademark Rights in relation to unlawful Comparative Advertising

[96] Supra note 38 art 14 para 2 and rec. 27
[97] Case C-228/03, *The Gillette Company and Gillette Group Finland Oy V LA-Laboratories Ltd Oy* [2005] I-02337 para. 49
[98] Supra note 89 para.40; See also Case C-48/05 *Adam Opel AG v Autec AG* [2007] I-01017 para. 18
[99] Supra note 38 art 10 para 1 (c); supra note 5 art. 4 (f)

In cases where the advertiser employs the rival trademark to promote his products by comparing them to the competitor's products and in this process he denigrates and discredits them, such behaviour does not only engender issues of comparative advertising and product disparagement, but also legal issues of trademark infringement. Nevertheless, even if a comparative statement is unlawful, it violates the exclusive rights of the trademark owner only if it fulfils the trademark infringement conditions, as laid down in art. 10 of the Trademarks Directive entitled: *"Rights conferred by a trade mark".*

i. Disparagement and Trademark Infringement

"Mine is best, his is not good". This sentence summarizes the core of disparaging the competitor's products, i.e. criticizing them as not good. As per the Merriam-Webster's Dictionary "*disparage*" means *"to lower in rank or reputation", "degrade" or "to depreciate by indirect means, as an invidious comparison"*.[100] Mere exaggeration of the advantages of the advertiser's products should not be objectionable as long as the information provided is true or constitutes a simple puffing which involves a comparison between the two competing products. If the comparison aims at highlighting the quality and features of the advertiser's product without maliciously criticizing the rival product, there is no disparagement. Overstatements and obvious untruths designed to attract the consumers' attention are generally permissible insofar as they can be easily understood as hyperbolic and do not make misleading statements for the advertised product.

However, claims about superiority and absolute features are actionable when they exceed the permitted borderlines of puffing and are thus untrue, misleading, deceptive and capable of causing harm to the rival. These false statements, in the course of comparative advertising, tend to destroy the rival's reputation or damage his goodwill, confidence and his customers' respect and appreciation to his work and business. The *right of reputation* is an inherent personal right and a person's reputation is his property. The reliefs available to the claimant to protect his property are the damages and injunction; however, the truth of the defamatory claims serves as a defense.

In trademark disparagement cases the type of the statement made by the advertiser and the way this statement discredits the reputation of the trademark proprietor are under judicial

[100] Merriam-Webster's Collegiate Dictionary, Eleventh ed.

scrutiny.[101] The action for disparagement, also known as *slander of title*, comes under the common umbrella of an action for *trade libel* and its subject matter may concern trademark, designs and patent. The plaintiff needs to prove that the published statement is untrue, is made in the course of advertising without a fair cause, and the defendant's intention is to underestimate the claimant himself or his products, and thus harm or adversely affect his interests.

In comparative advertising cases the court needs to balance the conflicting financial interests of the litigants and examine the provisions of both Trademarks and Misleading and Comparative Advertising Directives. On the one hand, trademark law sets specific limits to comparative advertisements for the preservation of the trademark owner's interests and reputation; on the other hand, the comparative advertising provisions grant the defendant the freedom to inform consumers about the advantages and superiority of his own products;[102] these two Directives are examined by the court in parallel.

ii. Judicial Approach

A. L'Oréal v Bellure (smell-alike and interpretation of '*unfair advantage'*)

The ECJ has given a landmark ruling on the famous *L'Oréal v Bellure* case, which examines whether imitation perfumes, which were sold by reference to the original L'Oréal fragrances, infringed L'Oréal's trademarks and whether such comparisons were protected as permissible comparative advertising. It has further provided explanations as per the construction of "*unfair advantage*" under art. 5(2) of Trademarks Directive 89/104/EEC (art. 5 of the old Directive 89/104/EEC corresponds to art. 10 of the Recast Trademarks Directive (EU) 2015/2436 which is now in force).

L'Oréal and other related companies are members of the L'Oréal group, which manufacture and sell high-quality fragrances and cosmetics. In the United Kingdom, they are proprietors of several famous trademarks, which are registered for perfumes and other fragrance products. In particular, they had registered: (i) *word marks* (the Trésor word mark, the Miracle word mark, the Anaïs-Anaïs word mark, the Noa Noa word mark), (ii) the word and figurative marks consisting of the word 'Noa' in a stylized form, (iii) two word and figurative marks consisting of a representation of the Trésor and Miracle perfume bottles respectively

[101] Goel, Shivam, *Trademark Disparagement & Advertising Ethos-Pathos: India* (April 2, 2015) p.1 Available at SSRN here [accessed 13 October2021]
[102] Supra note 2 pp. 26-28

(the Trésor bottle mark and the Miracle bottle mark), (iv) two word and figurative marks consisting of a representation of the packaging in which the Trésor and Miracle perfume bottles are marketed (the Trésor packaging mark and the Miracle packaging mark).

The three defendants (Bellure, Malaika and Starion) produced three ranges of imitation - 'smell-alike' perfumes called Stitch, Création Lamis and Dorrall, similar to the famous brand of L'Oréal. Each member of the range smells like a famous, luxury branded fragrance well-known by the famous registered trademark of L'Oréal. The defendants imported the imitation products into the UK and distributed or sold them through low-value supermarkets and street markets, discount stores and via the internet, priced between £2-£4. Although similar in the smell of the perfume, the bottles and packaging were not identical, even though Bellure had revealed that they aimed at giving 'a wink of an eye' to L'Oréal's products. The defendants also provided comparison lists to their retailers and indicated which of the category of products smelled like each of L'Oréal's brands.

L'Oréal initiated trademark infringement proceedings, claiming that (i) the use of comparison lists constituted trademark infringement under UK Trade Marks Act 1994,[103] Section 10(1)[104] and (ii) the imitation bottles and packaging were a violation under Section 10(3).[105] The High Court of Justice of England and Wales ruled in favor of the claimant regarding the trademark infringement claim, but not for the alleged '*passing off*'. The defendants appealed while L'Oréal's cross-appeal on passing off was dismissed by the Court of Appeal (Civil Division) which stayed the proceedings, referring five questions for preliminary ruling to the ECJ regarding also the interpretation of certain provisions of the Misleading and Comparative Advertising Directive 84/450/EEC. The first four questions concerned the use of the claimant's trademarks in the comparison lists and the interpretation of art. 5(1) of the Trademarks Directive 89/104/EEC and art. 3a(1) of the Misleading and Comparative Advertising Directive 84/450/EEC as latter amended by the

[103] The UK Trade Marks Act 1994 is the law governing trademarks within the United Kingdom. It replaced the earlier law of Trade Marks Act 1938 and implemented the Trademarks Directive 89/104/EEC

[104] Trade Marks Act 1994 Section 10(1): "*A person infringes a registered trade mark if he uses in the course of trade a sign which is identical with the trade mark in relation to goods or services which are identical with those for which it is registered*"

[105] Trade Marks Act 1994 Section 10(3): *"A person infringes a registered trade mark if he uses in the course of trade in relation to goods or services a sign which - (a) is identical with or similar to the trade mark, where the trade mark has a reputation in the United Kingdom and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark"*

Directive 97/55/EC; the fifth question requested guidance as per the construction of the notion of '*unfair advantage'* under art. 5(2) of the Trademarks Directive.

Fifth Question - 'Unfair Advantage'

The ECJ decided to answer first the fifth question, since they believed that art. 5(2) of the Trademarks Directive is also applicable in cases of trademark use in the comparison lists. The Court initially clarified that art. 5(2) protects trademarks with reputation against three categories of injury that occurs when a certain level of similarity between the famous trademark and the sign gives the consumer the false impression that there is a commercial connection between them. The three kinds of injury[106] are as follows:

(i) *detriment to the distinctive character of the mark,* also referred to as *'dilution', 'whittling away'* or *'blurring'.* Such injury occurs when the trademark's ability to identify the products is lessened, because the use of an identical or similar mark by a third party causes dispersion of the identity of the original mark which can no longer establish an immediate association with the products for which it is registered to the public's minds.

(ii) *detriment to the repute of the mark*, also referred to as '*tarnishment*' or '*degradation'*. Such injury occurs when the products for which the identical or similar mark is employed, may be assessed by consumers in such a manner that the original trademark's power of attraction and appeal is weakened. Likelihood of such injury occurs when the products offered by the third party are of poor quality and inferior features or are portrayed in an unwholesome way which is liable to adversely affect that image of the original trademark.

(iii) '*taking unfair advantage'* of the distinctive character or the repute of the mark, also referred to as '*parasitism'* or *'free-riding'*. This context does not concern the injury caused to the trademark but the advantage that the third party exploits from the use of the identical or similar mark. Cases of '*transfer of the image of the trademark*' and '*exploitation of the coat-tails of the famous trademark'* are apparent in this category of injury.

[106] Supra note 92 paras. 39-41

The ECJ further clarified that in order to determine whether the use of the sign does take unfair advantage of the distinctive character or the repute of the trademark, a *global assessment* needs to be carried out taking into account all the factors relevant to the circumstances of the case such as: (i) the strength of the trademark's reputation; (ii) the degree of the trademark's distinctiveness; (iii) the degree of similarity between the trademark and the sign; and (iv) the degree of proximity of the goods and services under question. Likelihood of dilution or tarnishment needs also to be taken into account. The Court of Appeal had already ruled that there was a connection between the packaging used by the defendants and the claimant's trademarks. It was evident that the connection granted a commercial advantage to Bellure and it was intentionally established so as to build up in the minds of consumers an association between the original L'Oréal perfumes and the imitations.

The ECJ concluded that the context of *'taking of unfair advantage'* of the distinctive character or the repute of a mark does not require that there be a likelihood of confusion or a likelihood of detriment to the distinctive character or the repute of the mark or, more generally, to its proprietor. The advantage arising from the use by a third party of a sign similar to a mark with reputation is an *advantage taken unfairly* by that third party of the distinctive character or the repute of that mark where that party seeks by that use to ride on the coat-tails of the mark with reputation in order to benefit from the power of attraction, the reputation and the prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the proprietor of the mark in order to create and maintain the mark's image.

First and Second Questions - The Comparison Lists

The ECJ gives a common ruling on the first and second questions, which ask whether art. 5(1) of the Trademarks Directive should be interpreted as conferring to the trademark proprietor the right to prevent the use by a third party of his trademark in comparative advertising, where such use, however, does not jeopardize the basic function of the trademark to indicate the origin of the products, but nevertheless plays a significant role in the promotion of the advertiser's products. Art. 5(1)(a) (this provision applies since the sign is *identical* with the trademark and is used in relation to goods which are also *identical* with those for which the trademark is registered) protects the trademark owner's interests in guaranteeing that the trademark can fulfil its basic functions, including not only the

trademark's primary function of identifying the origin, but also the guaranteeing of quality, communication, investment or advertising functions.[107]

The ECJ further clarified that using a mark for purely descriptive purposes is excluded from the scope of application of art. 5(1) of the Trademarks Directive; however, in this case, the use of L'Oréal's trademarks was not for purely descriptive purposes but for the purpose of *advertising*. Based on this consideration, the ECJ noted that the comparison lists that the defendants provided to their retailers and indicated which range of imitations smelled like which of L'Oréal's products, constitute comparative advertisements that could result in trademark infringement under art. 5(1). Nonetheless, to the extent that the comparative advertisement abides by all legitimacy requirements laid down in art. 3a(1) of the Misleading Advertising Directive 84/450/EEC as latter amended by the Directive 97/55/EC, the proprietor is not entitled to prevent such use.

The ECJ stated that the owner of the trademark is entitled under art. 5(1)(a) of the Trademarks Directive to prevent the use of his trademark in a comparative statement that does not fulfil all the legitimacy conditions of art. 3a(1) of the Misleading and Comparative Advertising Directive, even where such use is not capable of jeopardizing the essential function of the mark, which is to indicate the origin of the goods and services, provided however, that such use affects or is liable to affect one of the other functions of the trademark. It is thus for the referring Court of Appeal to determine whether the use of L'Oréal's trademark is likely to adversely affect one of the other basic trademark functions, such as the communication, investment and particularly its advertising function. If it can be indicated that one of these function has been or is likely to be frustrated, there is no need in proving that the use of the trademark actually jeopardizes the primary function of the mark, which is to identify the source of the goods or services.

Third and Fourth Questions - Comparative Advertising Directive

The third and fourth questions asked whether art. 3a(1) of the Misleading and Comparative Advertising Directive means that where a marketer specifies through a comparison list, without however causing confusion or deception to consumers, that his product has a major feature similar to that of a product traded under a famous trademark of which it is an imitation, that advertiser would be:

[107] Supra note 92 para 58

a) presenting his goods or services as imitations or replicas of goods or services bearing a protected trademark (art. 3a(1)(h));
b) taking unfair advantage of the reputation of a famous trademark (art. 3a(1)(g)).

Art. 3a (1)(a) to (h) provides a list of legitimacy requirements that comparative advertising must cumulatively satisfy so as to be regarded lawful and thus permitted. Misleading and Comparative Advertising Directive allows the use of a rival trademark only where the comparison objectively highlights the differences of the comparable products and the purpose of this highlighting is not to encourage unfair competition, but to distinguish the products in a fair and honest way. Thus, the objective of art. 3a(1) was to strike a *fair balance* between the conflicting interests of the advertiser, the trademark owner as well as the public in general that can be affected by these advertisements, aiming at the stimulation of competition and facilitation of consumer choices.

Art. 3a(1)(h) does not only forbid the advertisements that directly promote the idea of pre-production and imitation, but also the statements that, based on their presentation in general combined with their economic purpose, can indirectly convey this idea to consumers. The goal of the comparison lists was to catch the eye of consumers to the original perfume they imitate, presenting the perfumes as imitations of L'Oréal fragrances bearing the protected trademark; hence, this tactic falls within art. 3a (1)(h). As the Advocate General clarified, it was immaterial whether the comparative statements related to the imitation of the product in its entirety affixing the L'Oréal's protected trademark, or just to the imitation of a material feature of the product in question, such as the smell in this case.[108]

Art. 3a (1)(g) provides that comparative advertising must not "*take unfair advantage of the reputation of a trade mark*" and the ECJ stated that the notion of '*unfair advantage'* must be interpreted in the same way as in art. 5(2) of the Trademarks Directive.[109] Given that the defendants produced the imitation products as a way to exploit the repute of the famous L'Oréal trademark and attract consumers, it can be easily concluded that also the '*unfair advantage'* purpose was achieved.

In the words of the ECJ: "*it must be held that since, under Directive 84/450, comparative advertising which presents the advertiser's products as an imitation of a product bearing a trade mark is inconsistent with fair competition and thus unlawful, any advantage gained by*

[108] Supra note 92 Opinion of Mr. Advocate General Mengozzi delivered on 10 February 2009 para.88
[109] Supra note 92 para. 77

the advertiser through such advertising will have been achieved as the result of unfair competition and must, accordingly, be regarded as taking unfair advantage of the reputation of that mark."[110] Therefore, the advantage gained by the advertiser as a result of such unlawful comparative advertising must be considered to be an advantage taken unfairly of the reputation of that mark within the meaning of Article 3a (1)(g).

Considerations on the judgement

This is a landmark decision for trademark proprietors acknowledging: (i) their efforts and investments in their trademarks' power and (ii) the efforts of their rivals to ride on the coat tails of the trademarks with reputation by producing smell-alike products as imitations to the famous ones. It became apparent that comparison lists constitute advertisements since the use of L'Oréal's trademarks in these lists was not for purely descriptive purposes but for the purpose of advertising. However, despite the ECJ's innovative approach in this judgement, there are some main issues that have given rise to concerns that need to be taken into further consideration.

Firstly, it needs to be clarified that the provisions about trademarks with reputation are read and applied separately - as the European legislator intended - and not mixed up with other provisions in a way that renders any claim under the *'unfair advantage'* provision of art. 5(2) of the Trademarks Directive unfeasible to prove. The ECJ had a correct approach on the fifth question since the Trademarks Directive indeed provides no hint that detriment to the reputation or distinctive character of the trademark are required to be shown so as to establish *'unfair advantage'*, even if a stricter interpretation of *'unfair advantage'* may have been desirable by those concerned in each case. In order to assess the *'unfair advantage'* context, the ECJ carried out a *'global assessment test'* and took into account also all the factors relevant to the circumstances of the case as analyzed above. The stronger the reputation and distinctiveness of the trademark, the easier it is to prove detriment. The easier the trademark is brought to consumers' mind, the greater the likelihood of future detriment will be. The concern of many commentators at this point was that the ECJ was too broad in the approach of the above factors and global assessment. Even though these factors may prove a commercial connection between the products, it still remains particularly difficult to prove an actual likelihood of detriment caused, by confusing the one product with the other to such an extent that the later trademark could be agreed of taking '*unfair advantage'.*

[110] *Ibid* para. 79

The paradox that arises is as follows: on the one hand, the above factors are taken into account when assessing detriment to the distinctiveness of the trademark but on the other hand, the ECJ clarified that the *'unfair advantage'* and the actual detriment to the distinctiveness are two separate kinds of injury; so, why did the ECJ apply the same criteria in the same way? Moreover, in the *Intel v CPM* case[111] the ECJ ruled, somewhat controversially, that these factors were however, insufficient for proving *'unfair advantage'*. The ECJ declared that proof that the use of the later trademark is or would be detrimental to the distinctiveness of the earlier trademark requires actual evidence of a change in the economic behavior of the average consumer of the products for which the earlier trademark was registered consequent on the use of the later trademark, or even a serious likelihood that such a change will occur in the future.[112] This condition was not reiterated in the *L'Oréal v Bellure* case. On the contrary, in the latter case the ECJ held that (i) *'unfair advantage'* and detriment to distinctiveness are different types of harm; and (ii) *global assessment* would have to take into account whether there is likelihood of tarnishment or dilution of the trademark.

The below considerations evoke various questions: Why would unfair advantage be necessary to be proven on top of likelihood of tarnishment or dilution? Does this judgement mean that famous brands must be protected from competition even if detriment cannot be shown per se? Does likelihood of harm suffice in general? To what extent should the term *'trademarks with reputation'* be further defined to have a clear and precise definition? Does the Misleading and Comparative Advertising Directive set the standards too high in making it difficult for marketers to inform their customers that their products are similar to other products bearing a registered trademark? This decision has evolved to a fruitful avenue for considerations; the only sure is that this judgement has made it clear that undertakings can no longer hide behind the favorable provisions of the Misleading and Comparative Advertising Directive and ride on the coat-tails of well-known trademarks so as to promote their imitation products, even if the trademark proprietor has suffered no actual detriment.

B. O2 v Hutchinson

In this case, the claimant company O2 and O2 (UK) supplies mobile telephone services and uses bubble images to advertise its services, and consumers associate these images with the particular company. The claimant is also proprietor of two national figurative trademarks

[111] Case C-252/*07 Intel Corporation Inc. v CPM United Kingdom Ltd* [2008] I-08823
[112] *Ibid* para. 77

('the bubbles trademarks'). The defendant company H3G is also a provider of mobile telephone services known as '*Threepay'* marketed under the sign '3'. In one of its advertisements it compared the price of its services with those of O2 ('the disputed advertisement') by using the name 'O2' and moving black-and-white bubble imagery, followed by '*Threepay'* and '3' imagery, together with a message that H3G's services were cheaper in a specific way.

O2 initiated proceedings against H3G for infringement of its 'bubbles trademarks' before the High Court of Justice of England and Wales. The Court dismissed that action of infringement and ruled that the price comparison was true and that the advertisement did not establish any form of connection between the litigants; therefore, the advertisement was, as a whole, not misleading. In particular, even though the use of the bubbles images in the disputed advertisement fell indeed within art. 5(1)(b) of Trademarks Directive 89/104/EEC, the advertisement, nevertheless, complied with the legitimacy requirements of art. 3a of the Misleading and Comparative Advertising Directive 84/450/EEC. Thus, such compliance provided H3G with a defense under art. 6(1)(b) of the Directive 89/104/EEC.

The claimant appealed and the Court of Appeal referred the following three questions to the ECJ for preliminary ruling: (i) where a trader uses a rival trademark in comparative advertising (mainly to compare the price) in such a way that it does not cause confusion or otherwise jeopardize the essential function of the trade mark as an indication of origin, does his use fall within either (a) or (b) of Article 5(1) of Directive 89/104/EEC? (ii) where a trader uses a rival trademark in comparative advertising, in order to comply with Article 3a(1) of Directive 84/450/EEC, must that use be '*indispensable*' and if so, what are the criteria by which indispensability is to be judged? (iii) if there is a requirement of '*indispensability'*, does this requirement preclude any use of a sign which is not identical to the registered trademark but is closely similar to it?

By its questions the referring court asks the ECJ to interpret both art. 5(1) of Directive 89/104/EEC and art. 3a (1) of Directive 84/450/EEC, and the interconnection of these Directives. The ECJ observed that the European legislator wants to promote the lawful comparative advertising[113] and thus necessarily limits the trademark owner's rights.[114] Therefore, the ECJ ruled that art. 5(1) and (2) of Directive 89/104/EEC must be construed in such a way that the proprietor of a registered trademark is not entitled to prevent the use of

[113] Supra note 6 rec. 2-6
[114] Supra note 6 rec. 13-15

a sign identical or similar to his mark in a comparative advertisement which satisfies all the comparative advertising requirements of legitimacy under art. 3a(1) of Directive 84/450/EEC. However, if there is likelihood of confusion derived from the similarity between the products and the marks, the legitimacy requirement of art. 3a(1)(d) of Directive 84/450/EEC is not met and thus the proprietor can claim trademark infringement under art. 5(1)(b) of Directive 89/104/EEC. Vice versa, if there is no confusion, the proprietor cannot resort to art. 5(1)(b) to prevent the use of his marks in a comparative advertisement, irrespective of whether the other legitimacy conditions of art. 3a of Directive 84/450/EEC are in place. It would therefore be unjust to assess the compliance with the legitimacy conditions as a defense against the trademark infringement; there is thus an interaction between the comparative advertising and trademark provisions.

With regard to the first question, the referring court correctly clarified that the defendant only used a similar sign, and not an identical mark registered by the defendant; thus art. 5(1)(a) of Directive 89/104/EEC does not apply and needs no interpretation. By virtue of settled case law, the proprietor of a registered mark may prevent the use of a sign which is identical or similar to his mark under art. 5(1)(b) if the *use*: (a) is in the course of trade; (b) is without the consent of the proprietor; (c) is in respect of goods or services which are identical or similar to those for which the mark is registered; and (d) affects or is liable to affect the essential function of the trademark, which is to guarantee to consumers the origin of the goods or services, by reason of a likelihood of confusion on the part of the public.

Therefore, art. 5 (1)(b) of Directive 89/104/EEC only applies where there is likelihood of confusion on the part of the public, which exists when the public associates the two companies as economically-linked undertakings. The first three conditions of art. 5(1)(b) are satisfied as follows: (i) the mark of H3G, similar to that of the proprietor's, was indeed used in the course of trade, since it was used in the course of a commercial activity with a view to gain profit and not as a private matter; (ii) it was used without the consent of the claimant and (iii) it was used for services identical with those of the claimant's. However, the fourth condition is not met, since the use of the bubble images similar to the original bubbles trademark did not give rise to a likelihood of confusion on the part of consumers. The advertisement, as a whole, was not misleading and, did not establish any commercial link between the litigants. Therefore, the answer to the first question is that art. 5(1)(b) of Directive 89/104/EEc cannot apply since even though the defendant is using a sign similar to that mark in relation to goods identical with to those of the claimant's, such use did not

cause likelihood of confusion to the public, regardless of whether comparative advertisement satisfied all the conditions of art. 3a of Directive 84/450/EEC. Since this question was not answered in the affirmative, the ECJ did not proceed to the examination of the second and third questions.

C. Arsenal FC plc v Reed

The case between *Arsenal Football Club plc and Mr. Reed*[115] concerns the selling by the latter of scarves marked in large lettering with the word *'Arsenal'*, a sign which is registered as a trademark by Arsenal FC for its goods. The stall located outside the grounds of Arsenal FC's stadium had the following sign: *"The word or logo(s) on the goods offered for sale are used solely to adorn the product and does not imply or indicate any affiliation or relationship with the manufacturers or distributors of any other product, only goods with official Arsenal merchandise tags are official Arsenal merchandise".*

Arsenal took legal action on the grounds of trademark infringement, based on Section 10(1)[116] and (2)(b)[117] of the Trade Marks Act 1994, and *'passing off'*, i.e. a misleading conduct which made a large number of people believe that articles sold by Mr. Reed are those of the claimant or are sold with his authorization or have a commercial association with him. The *'passing off'* claim was dismissed since the actual confusion on the part of the relevant public was not proven and, more particularly, the unofficial products sold by Mr. Reed were all regarded by the public as coming from or authorized by the claimant. Therefore, the signs referring to Arsenal FC affixed to the articles sold by the defendant carried no indication of origin. The trademark infringement claim based on the argument that the use of the signs registered as trademarks was perceived by the public as a badge of origin, so that the use was a 'trademark use', was also rejected. On the contrary, the High Court of Justice of England and Wales held that the signs affixed to Mr. Reed's goods were actually perceived by the public as *'badges of support, loyalty or affiliation'.*

The ECJ examined the scope of protection afforded for a registered trademark under art. 5(1) of the Trademarks Directive 89/104/EEC, clarifying that the exclusive right conferred by this article enables the trademark owner to protect his interests as proprietor, that is, to ensure that the trademark can dully fulfil its functions. The exercise of that right must be

[115] Supra note 89
[116] Supra note 104
[117] Trade Marks Act 1994 Section 10 (2)(b): *"A person infringes a registered trade mark if he uses in the course of trade a sign where because the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered"*

reserved to cases in which a third party's use of the sign affects or is liable to affect the functions of the trademark, in particular its essential function of guaranteeing the origin of the goods.[118] The ruling of the ECJ was that since the defendant used in the course of trade a sign, *identical* to the validly registered *Arsenal* trademark on goods which are *identical* to those for which it is registered, Arsenal, as trademark proprietor, is entitled to prevent such use under art. 5(1)(a) of Trademarks Directive. Thus, it is immaterial that the sign is perceived, in the context of that use, as a badge of support for or loyalty or affiliation to the trademark proprietor.

Therefore, trademark infringement is perceived as a consequence of use that adversely affects the trademark functions. Nevertheless, the ECJ only focuses on the guarantee of origin function as the most essential; thus, how are the other functions protected? This judgement can be construed in two ways. On the one hand, art. 5 (1) is construed narrowly and thus, is only limited to the protection of the origin function. With that regard, the trademark proprietor is entitled to prevent the use that is able to give consumers the false impression that the goods in question and the trademark owner are interconnected in the course of commerce and therefore, such use can cause confusion to consumers.[119] The broader interpretation of art. 5(1)(a), on the other hand, implies that this article awards protection not only to the origin function, but also expands to all the other trademark functions and thus, the proprietor could also forbid the use that adversely affects the quality guarantee, advertising and investment functions. This approach ensures a stronger protection of the proprietor's interests, allowing him to forbid any use that can cause him detriment, even if no likelihood of confusion exists. This interpretation reveals that art. 5(1)(a) also includes comparative advertising. This second wider interpretation seems less likely to be intended by the ECJ, since the European legislator encourages the comparative advertising as indicated in the recitals of the Misleading and Comparative Advertising Directive.

In general, the ECJ accepts the comparative advertising as a lawful and permissible marketing tool; this can be justified by the following factors: (1) the constitutional legalization of comparative advertising; (2) the recognition of comparative advertising as freedom of speech which is inextricably interconnected with the freedom of advertising; (3)

[118] Supra note 89 para.51

[119] The origin function is harmed when the public wrongly believes that: (i) the products are related to the trademark owners company, (ii) the products are manufactured by an economically linked undertaking

it ensures the free movement of advertisements as a social service; (4) it strengthens the competition and the insider market as a whole.

i. Evaluation

The narrow interpretation of the ECJ's ruling in *Arsenal FC* case about art. 5(1) of Trademarks Directive 89/104/EEC has proven the intention of the European legislator to encourage the comparative, yet lawful comparative advertising. If traders were forbidden to refer to other marketers and their products by defining their trademarks, they would be deprived from their rights to free speech and provision of useful information. The ECJ's case law reveals its intention to favor comparative advertising as a means to foster competition and consumer information. However, in the *L'Oréal* case the ECJ clarified that protection must be awarded not only to the primary trademark function of origin, but also to all the other functions[120] and that the trademark owner needs be protected against any unauthorized and unlawful use that is likely to cause harm to trademark functions. In this case the ECJ, inconsistently, curtails and abandons its self-determined goal to promote comparative advertising.

Trademark infringement can only exist when the advertisement does not satisfy the legitimacy requirements under art. 4 of Directive 2006/114/EC.[121] Therefore, the permissibility of comparative advertising is not dependent from art. 5 of Trademarks Directive, but from the legitimacy conditions of the Misleading and Comparative Advertising Directive. Comparative advertising is assessed by the conditions of the Misleading and Comparative Advertising Directive, and only if it fails to satisfy them, trademark infringement can be found in the provisions of the Trademarks Directive.[122] Vice versa, comparative advertising that is lawful and thus permissible under the Misleading and Comparative Advertising Directive, will never result to trademark infringement and therefore, it doesn't matter what type of '*use*' is protected under the Trademarks Directive.

4. Comparative Advertising and Consumer Protection

The industrial revolution and the development of the international trade have led to the expansion of the trade and business across the borders. As a result, a vast variety of products and services have been available in the market to cover consumers' needs. The

[120] Supra note 92 para 58
[121] Supra note 5 rec. 15
[122] Supra note 38 rec. 18-19

advertisements of the products in television, radio, magazines and newspapers influence the choices and demand by the consumers. Before examining the impact of comparative advertising on consumers' decision making process and the measures for their protection, a detailed approach to the concept of '*consumer'* is necessary.

4.1. The notion of 'consumer'

The definition of '*consumer'* is almost identical to all EU Directives as: "*consumer means any natural person who, in commercial practices covered by this Directive, is acting for purposes which are outside his trade, business, craft or profession*".[123] The ECJ has found it necessary to examine the protection of consumers since the enactment of Directive 84/450/EEC on Misleading Advertising (as later amended to also include the Comparative Advertising) and in particular the effect of advertising cases on a notional, typical consumer.

A. Average Consumer

In line with the principle of proportionality, the Directive 2005/29/EC on Unfair Business-to-Consumers Commercial Practices takes as a benchmark the average consumer. The notion of *'average consumer'* was firstly appeared in the *Gut Springenheide* case[124] in para. 31: *"in order to assess whether a description on the packaging of a food product is misleading, the national court must take into account the presumed expectations of the average consumer."* The above Directive in rec. 18 provides that average consumer is reasonably well informed and reasonably observant and circumspect, taking into account social, cultural and linguistic factors, as interpreted by the ECJ. The concept of "*reasonably*" gives a negative meaning in the objective that follows each time. A consumer is reasonably well informed when he has a rough idea, but not necessarily a detailed knowledge about the product or service in question; the reasonably observant criterion concerns the level of consumer attention which often depends on his knowledge, expertise and experience, and also how much familiar he is a priori with the particular product. *"A reasonably circumspect consumer is someone who has a higher level of attention and is less likely to be misled and deceived"*.[125] The last condition of *'taking into account social, cultural and linguistic factors, as interpreted by the ECJ'* means that while consumers of a particular Member State A may be misled to expect a

[123] Supra note 11 art. 2 (a)
[124] Supra note 32
[125] Supra note 31 para. 24: *"Reasonably circumspect consumers may be deemed to know that there is not necessarily a link between the size of publicity markings relating to an increase in a product's quantity and the size of that increase"*

product to have certain characteristics on the basis of its name/trademark, no such confusion would exist in the language of consumers of another Member State B. This condition is better explained through the *Fratelli v Ditta* case[126] where French consumers may not expect Cotonelle wipes to contain cotton, but the same trademark may cause Italians to expect real cotton.

The German Higher Regional Court of Karlsruhe assessed that *"people with impaired eyesight can also be considered average consumers"* while the Metropolitan High Court of Appeal in Hungary clarified that *"a reasonably acting consumer is not suspicious and tends to trust that the received information is valid and accurate"* and *"a reasonably acting consumer is not obliged to search further for the entire accurate content of the message delivered to him, unless the sender of the message emphatically draws his attention to, or there is strong reference to, such an obligation in the text of the message".* The UK High Court of Justice defined average consumers as those who take reasonable care of themselves, rather than the ignorant, careless or over-hasty and that one cannot assume that the average consumer will read the small print on promotional documents. Still some national courts, like Germany, Hungary and the United Kingdom have ruled on the definition of the notion of average consumer and conclude to their own interpretations in specific cases.

B. Vulnerable Consumer

The Unfair Commercial Practices Directive 2005/29/EC refers, apart from the *'average consumer',* to the concept of the *'vulnerable consumer'*. Consumer vulnerability signifies that consumers are not a homogenous group and some require a higher level of protection than others. The Directive contains provisions aimed at preventing the exploitation of consumers whose characteristics make them particularly vulnerable to unfair commercial practices, i.e. commercial practices that materially distort or are likely to materially distort the economic behavior of the consumer.

Such characteristics are age, physical or mental infirmity or credulity and render consumers particularly susceptible to a commercial practice or to the underlying product and the economic behavior only of such consumers is likely to be distorted by the practice in a way that the trader can reasonably foresee. It is appropriate to ensure that they are adequately protected by assessing the practice from the perspective of the average member of a clearly identifiable group (rec. 19). The *'clearly identifiable group'* condition aims at narrowing

[126] Case C-313/94 *Fratelli Graffione SNC and Ditta Fransa* [1996] I-06039, paras. 4, 21

down the definition of the vulnerable consumer[127] while the *'vulnerability due to age'* aims to protect the two extremes, children or elderly people. In accordance with the Commission findings *"teenagers may be considered as a potentially vulnerable group as they are more likely to take risks, they are less likely to pay attention and they can also be credulous." 'Vulnerability due to mental or physical infirmity'* is a concept broader than disability which also includes temporary infirmity ex illness (chronic or not). In a Czech case[128] concerning an advertisement for nutritional supplements that claimed to boost the immune system, the Court ruled that "*infirmity includes illness",* like the flu and that "s*ick people are less critical and more likely to believe the claims than a healthy consumer". 'Vulnerability due to credulity'* concerns consumers who are more likely to believe claims made by traders without examining them critically. The last condition is the *'foreseeability by the trader'.* When the trader can reasonably foresee the impact on vulnerable consumers, then there is a duty to modify the practice in order to mitigate its effect on vulnerable consumers. Lack of foreseeability is not an excuse for traders to neglect their duties towards vulnerable consumers and should be interpreted under the principle of proportionality.

4.2. EU legal framework for the Consumer Protection

The coordination of actions for consumer protection within the European Economic Area constitutes a manifest and commonly felt need. Even though consumer protection has been a recognized principle in all Member States, the concept of consumer policy is still developing. The latter has been established due to the frustrations and abuses arising from the market segmentation that has made the consumers' decision-making process even more complex and difficult and the consumer can no longer fulfil his role as a balancing factor.

The industrialization has formed new market conditions and the balance between consumers and suppliers has weighted in favor of the latter. The introduction of new methods of retailing and manufacture, the expansion of markets and the development of multiple ways of communications have contributed to the increase of production and supply and the maximization of demand. Whereas the consumer was in the past an individual purchaser in a small local market, he has now evolved to a whole unit in a large market and target of distribution groups and advertising campaigns.

[127] Case 1483/2012 *Bulgarian Consumer Protection Commission v Bulgarian Telecommunication Company* [2012] The Court ruled that consumers over 75 form a clearly identifiable group
[128] Case 4 As 98/2013 – 88 *Rada pro rozhlasové a televizní vysílání v Omega Pharma*, (2013) Nejvyšší správní soud

Cartels, consumer credit, trade practices and the competition itself have enormously developed. Such changes have intensified the above imbalances to the detriment of consumers. However, the consumer is no longer treated as a mere purchaser and user of goods and services but also as a factor connected with the various aspects of society which affect him either directly or indirectly. Practices that were earlier considered as unfair solely with regard to competition between traders (e.g. misleading and comparative advertising) are now also examined from the viewpoint of relations between traders and consumers. Therefore, Member States have become more aware of the necessity to keep the consumers better informed about their interests and rights against abuses that accrue from the above practices. In general, the interests of the consumers can be summarized in the following five categories of rights: (a) protection of health and safety; (b) protection of economic interests; (c) redress; (d) information and education; (e) representation (the right to be heard).[129]

Attempts have been made and legal instruments have been drafted to mitigate the imbalance of power between the traders and consumers. The provision of detailed information has also been accepted as one of the consumer's fundamental freedoms and rights.[130] Therefore, the European lawmaker has long ago recognized that measures should be taken to ensure the protection of the consumers' economic interests. An indicative measure, among others, is the prohibition of any form of advertising - visual or aural - that could mislead the potential buyer; in any case, the advertiser should be able to justify, by appropriate means, the validity of any claims he makes.[131] More particularly, appropriate measures have been proposed in order to protect consumers against false, misleading and unfair advertising.[132] One effective way to combat false advertising is by providing sufficient information to prospective buyers and enable them to assess the basic features of the products offered such as the nature, quality, quantity and price, and thus make an informed and rational choice between the competing products and services.[133]

4.3. Comparative over Normal Advertising

4.3.1. Ways to attract consumers

A. Brand Awareness

[129] Supra note 25 Annex para. 3
[130] Supra note 24-25
[131] Supra note 25 para. 19 (iv)
[132] *Ibid* para 22
[133] *Ibid* para. 34

The ability of the advertisement to capture the public's attention increases the brand awareness and thus shapes the consumers' purchase behavior into selecting the most advertised product. "*The immediate effects of attention are to make us: perceive, conceive, distinguish and remember better than otherwise we could*".[134] Therefore, comparative advertisements have two crucial characteristics that increase consumers' attention. Firstly, comparative advertisements distinguish for their *novelty*; this relatively new phenomenon attracts the public more easily since it is 'different'. Secondly, it is more likely that a great fraction of the public will pay *closer attention* to these ads. This is explained by the principles of selective attention and exposure based on which consumers are more likely to be more influenced by messages that are addressed directly to their interests and needs, and they are thus, more attentive to such ads. To stimulate the desired attention, the advertisement must mention the rival brand in the beginning of the message or even display it prominently. However, some negative effects may arise from this exposure; the ad may increase the fame of the competing brand without enhancing the consumer awareness of the advertised brand. It is also likely that the ad may confuse the public to misidentify the promoting brand; therefore, the advertiser must consider with caution the place and timing of mentioning the rival brand in the ad. Generally, it can be argued that comparative advertisements are more effective in increasing initial attentiveness to the ad.

B. Brand Comprehension

Brand comprehension deals with consumers' level of knowledge, beliefs and perceptions about a brand; these are stimulated by the ads and previous use experiences. Direct comparison facilitates the *effective differentiation* between the competing products and especially if product features mentioned in the comparison are salient to the public's choice between the two brands; comparative ads enable consumers to identify more easily the extent of differences between the brands. Exposure to clearer messages creates more mature perceptions of the public about the advertised brand's position within the product class. However, it is possible that not every trader would choose to *differentiate* his brand from a rival one, but rather *associate* it. This is explained by the fact that every consumer has stood out a 'set' of brands that serves as alternative for a product decision in a specific product class. Therefore, associating a brand with another famous already consolidated in the 'set' is an alternative way to differentiation. It can be hence argued that comparative

[134] Norman D. *Memory and Attention* (New York: John Wiley & Sons, 1969), p. 10

advertising can serve as a marketing tool to build up clearer consumer beliefs either by *differentiation* or *association plans*.[135]

C. Brand Preference

The brand preference is related to the persuasive ability of a message, i.e. the creation of positive impression towards the brand. The element of persuasion is based on two components; the product features and brand beliefs that reflect consumers' criteria in preferring a product over another. Advertising campaigns have employed several strategies to improve brand preference; firstly, by amending public perceptions of brands and their features; secondly by changing the public's weightings of these features, elevating the value of those on which a brand is already highly valued; thirdly, the trader can introduce new characteristics (particularly for new brands). Comparative advertising does not however ensure extended brand preference; this depends on the public's reaction to the advertisement and their willingness to accept the suggestion. The message acceptance depends on the source credibility and ability to manipulate consumers' intentions. In particular, consumers are more likely to assess that since the comparative advertisement is permitted, the message that it conveys is actually true and the comparison is correct.[136]

4.3.2. Which is more effective for consumers?

Comparative advertising enables traders to highlight the merits of their products and convey more information than standard advertisements, increasing the chances of both benefiting the public as well abusing them at the same time.[137] Among the various positive and negative aspects of comparative advertising the question that arises is whether comparative ads are in practice more effective in *product positioning* than ordinary ads. First of all, many commentators agree that comparative ads provide more sufficient information about the competing products and provoke greater attention to the public to a rational and informed decision. These ads also enhance product recall in consumers' memory and create greater short-term memory for the brand and the message. They also eliminate perceived differences between the competing products which result in increased brand position in

[135] Farris P., Wilkie W. *Comparison Advertising Problems and Potential*, October 1975 p. 12 available here [accesses 16 October 2021]
[136] *Ibid* pp. 13-14
[137] Supra note 3 pp. 4-5

favor of the advertised brand.[138] The novelty and prominence of these ads will attract more attention than normal ads. The comparative advertisements also enhance the comprehension of the consumers towards the advertised products; the public acquires a clearer and overall brand image and thus it rates these ads more interesting and informative than standard ads. Moreover, costumers are more likely to select a named brand since they may assume that the statements made in the comparison are actually true and correct compared to those of a standard advertisement.

However, for some commentators, the argument that the comparative advertisements enhance consumers' decision-making process by providing more sufficient information still remains controversial. They state that these ads do not actually communicate more information to the public due to the poor message believability correlated with them. Although it was initially argued that these advertisements convey correct and true messages, more and more support that their low message credibility is one of the most detrimental effects for the consumers' purchase behavior. In particular, many consumers may not perceive the comparative ad as credible and objective due to the rational likelihood of manipulative purpose. The low believability increases the counter-argumentation, impeding behavior change and message acceptance, and thus reducing message effectiveness.

Moreover, consumers' suspicion about the companies' intentions and their skepticism about the deceptive character of the advertisements strengthen the manipulative effect of the comparative advertising on brand attitude. The direct comparison also makes consumers misidentify the sponsoring brand; so it is likely that comparative advertisements improve the salience of the rival brand without enhancing consumer awareness with regard to the brand communicating the message. Misidentification can also arise when the sponsoring brand only refers to the characteristics of the rival and makes no reference to its commercial activities; such an unfair business practice causes confusion and anxiety in the consumers' minds as per the fairness and honesty of comparative ads.

In general, however, comparison statements seem to be more effective compared to non-comparative claims since their advantages prevail. Comparative advertising that aims to

[138] Hsieh M., Blower K., Li X., Jain S., Posavac St., *Comparative Advertising: A Review and Research Agenda* January 2012 from the book Cracking the Code: How Managers Can Drive Profits by Leveraging Consumer Psychology, pp. 3-5 available here [accesses 16 October 2021]

truthfully inform consumers promotes the transparency in the market. Market transparency benefits the public interest since the function of competition is stimulated, encouraging innovation and product improvement while at the same time motivates businesses to lower their prices in the marketplace. Its increased informational value enhances consumers' decision-making process and market efficiency in general, eliminating any doubt why comparative claims are evaluated more favorably than single-product statements.

4.4. Legislation of Consumer Protection against unlawful Comparative Advertising

Next to the trademark law that protects the interests of trademark proprietors against any unauthorized use of their trademark, the European law concerning the consumer protection can also influence the permissibility of comparative advertising. The European legislator aims at promoting an easily accessible, fair and sustainable internal market for the consumers' benefit, and for that purpose he has developed standards and norms concerning the promotion of rational consumer behavior and the forbiddance of any unfair commercial practices. European legislation and court practice evidence that comparative advertising, when lawfully exercised, is a useful instrument at both personal and society level.

The unlimited acceptance of comparative advertising is contrary to consumer protection. In order to ensure a fair balance between the interests of the advertiser and the consumer, the European Parliament and the Council provided specific legitimacy requirements to protect consumers. As per the ECJ's words in the *Pippig* case[139] *"Directive 84/450 carried out an exhaustive harmonization of the conditions under which comparative advertising in Member States might be lawful. Such a harmonization implies by its nature that the lawfulness of comparative advertising throughout the Community is to be assessed solely in the light of the criteria laid down by the Community legislature. Therefore, stricter national provisions on protection against misleading advertising cannot be applied to comparative advertising as regards the form and content of the comparison."* This decision reveals that consumer protection legislation is a minimum harmonisation; Member States have the right to introduce stricter national rules in cases of misleading advertising and achieve a higher level of consumer protection than the European Directives. However, Member States have no such right in cases of comparative advertising.

[139] Supra note 39 para. 44

These issues are inter-connected, but comparative advertising seems to be larger than protection of consumers against misleading advertising. The Commission realizes the necessity of introducing specific restrictions to comparative advertising so as to protect the public against confusion and deception and rivals against disparagement and free riding. Thus, unlike the Misleading Advertising Directive, the Commission not only provides minimum requirements for the Member States with the aim of fulfilling these purposes, but also explicitly declares that Member States are not allowed to adopt stricter rules in cases of comparative advertising.[140] Therefore, Member States must not only guarantee that comparative advertisements comply with these minimum standards, from which they must not deviate, but also that these ads must only rely on these minimum requirements, and not stricter ones. This provision was introduced to avert the informational value of comparative advertising from being diminished, or even collapsed by national rules that emphasize more on the protection of the rival's interests. These minimum standards protect the legitimate rights and interests of the consumer against unlawful manipulation and deception.[141]

5. Personal Thoughts and Proposals

The above analysis on the function of the comparative advertising in the internal market and its interaction with the trademark law and consumer protection provides fruitful avenues for consideration and proposals.

In my view, the Recast Directive 2006/114/EC on Misleading and Comparative Advertising serves as an appropriate legal instrument to refute the criticism and doubts that comparative advertising faces today. When complying with the legitimacy requirements laid down in art. 4, advertisers can oppose to the arguments expressed against the legality of comparative advertisements, such as the lack of informational value and their hindering nature. The set of certain and precise rules serves as a vehicle to guarantee the achievement of the three objectives of the Directive. The first purpose is to ensure that better and more sufficient information are communicated to the public. Comparative advertising, as long as the legitimacy conditions are cumulatively satisfied, can act as a credible and helpful source of information, facilitating consumers' decision-making. The second goal is the stimulation

[140] Supra note 5 art. 8 para. 1: *"This Directive shall not preclude Member States from retaining or adopting provisions with a view to ensuring more extensive protection, with regard to misleading advertising, for traders and competitors. The first subparagraph shall not apply to comparative advertising as far as the comparison is concerned"*

[141] Supra note 60 pp. 208-209

competition, which would benefit innovative and dynamic undertakings to consolidate their superiority in the market, as well consumers to choose among a greater variety of products. The third objective is the harmonization of national laws, which is oriented to the development and better functioning of the Single European Market. The European institutions have adopted a permissive and liberal approach towards comparative advertising which, in any case, imposes specific restrictions on its practice.

A. Closer interpretation of the Directive 2006/114/EC by the ECJ and additional case law

The harmonization process that the Misleading and Comparative Advertising Directive 2006/114/EC inspired still requires a more thorough interpretation by the ECJ and a greater amount of European jurisprudence. The lack of case law makes it difficult to examine in detail how different is the jurisprudence of each Member State from one another. It seems that national courts will continue for a long time to request from the ECJ preliminary ruling on many aspects of the Directive that still need further interpretation, as this competence was expressly assigned to the ECJ by the EU Treaty.[142] The distinct national economies, cultures and divergent legislation of Member States illustrate the complexities and practical difficulties of the European initiatives to achieve the desired legal certainty and harmonization of the comparative advertising law at Community level and the necessity of additional case law and substantial interpretation of the Directive.

B. Reform of Directive 2006/114/EC

Even though the Recast Directive 2006/114/EC on Misleading and Comparative Advertising constitutes in general a comprehensive legal instrument with specific provisions about the role and function of the comparative advertising in the internal market, there are still some difficulties with its application:

1. The notion of *'misleading commercial practices'* and the financial injury they can cause need to be examined in a more detailed and targeted way at EU level.
2. The notion of '*advertising'* is not defined clearly and precisely enough so as to avert current as well future misleading commercial practices.

[142] Treaty establishing the European Community (consolidated version 2002), OJ C 325, 24.12.2002, art. 234: *"The Court of Justice shall have jurisdiction to give preliminary rulings concerning: (b) the validity and interpretation of acts of the institutions of the Community and of the ECB. Where such a question is raised before any court or tribunal of a Member State, that court or tribunal may, if it considers that a decision on the question is necessary to enable it to give judgment, request the Court of Justice to give a ruling thereon."*

3. The steps that need to be followed to conclude whether a commercial practice is misleading under the Directive 2006/114/EC are not sufficient enough and do not provide legal certainty.
4. The Directive 2006/114/EC does not guarantee a cross-border cooperation procedure among the Member States to combat misleading commercial practices in a common way.
5. The Directive 2006/114/EC does not guarantee a system of mutual collaboration and enforcement among Member States.
6. National authorities of some Member States do not have the powers to eliminate and prevent misleading commercial practices in B2B relations.

Some recommendations that could be taken into consideration to overcome the above problems are provided as follows:

1. Provide a clearer and more precise definition of *'misleading commercial practices',* which will help to easily clarify the scope of application of the Directive 2006/114/EC.
2. Include a black-list of the most detrimental misleading commercial practices and thereby providing certain bans.
3. Introduce efficient and preventive penalties for violations of the national rules enacted in application of the Directive 2006/114/EC.
4. Provide further clarification on specific aspects of the phenomenon of comparative advertising based on the settled case law and jurisprudence of the ECJ.
5. Adopt a mutual collaboration and enforcement procedure, unifying national enforcement authorities among Member States to collaborate in cases of cross-border misleading commercial practices.
6. Include and enforce mutual and collective assistance obligations and duties for Member States.
7. Demand Member States to indicate and appoint an enforcement authority in the section of B2B marketing.

C. Corrective Advertising

With the multiplication of comparative advertisements came inevitably the ordinary advertising abuses, i.e. product disparagement (the advertiser attacks the rival's product); false statements (the advertiser states that his product does something that others cannot);

and false representation (the ad is misleading and deceptive). The European law needs to combat these abuses with more practical ways, rather than solely judicial pronouncements.

One effective kind of redress that can be granted to the injured party is the corrective advertising. This consists of an amount of money awarded with the sole purpose to be spent for the creation of a new advertising that will correct any misunderstanding and confusion caused by the comparative ad. The defendant will be obliged to circulate the corrective advertisement, while the court could order the language of the ad as well as the duration of its promotion. The message in the corrective advertisement needs to counteract the false or misleading statement of the former ad, so as to restore the beneficiary to his rightful position and repair his reputation loss. The corrective advertisement must be oriented to communicate the true message to consumers' mind and destroy the previous deceptive one that affected their decision making. The remedy of corrective advertising is commonly met in the USA legal order, and needs to be introduced to the EU legal practice, in order to overcome advertising abuses and encourage future truthful advertisements.

D. Monetary Awards

Unfair comparative advertising underestimates the rival's product as inferior so as influence consumers to abstain from buying it and rather select the advertised one. Since the abusive ad causes pecuniary damage, damages need to be awarded to the injured party. Several States have adopted the Uniform Deceptive Trade Practices Act (UDTPA) that recognizes remedies in case of product disparagement. Similarly, Section 43 (a) of the revised Lanham Act of USA entitles the claimant to take legal action, be granted with injunctive relief and claim damages on the following grounds: (i) profits lost by claimant due to trademark infringement; (ii) business losses caused by the trademark infringement other than lost profits; (iii) defendant's profits as an estimate of claimant's lost profits; (iv) defendant's profits through unjust enrichment. Europe must imbibe and learn from these provisions to legislate certain enactments which cater to the need for damages. However, while making these provisions, the European legislator needs to avoid cases of over-compensation or under-compensation. The case of over-compensation leads to enhanced risk, so lesser production of goods ends up to lesser choices available to consumers; while the case of under-compensation enables the wrongful advertiser to escape unharmed.

6. Concluding Remarks

In the words of George Santayana "*advertising is the modern substitute for argument; its function is to make the worse appear better*". Advertising has evolved to the most suitable way or maybe we should agree that it is the only inevitable medium for a producer to reach his costumers, inform them about his products and through the true or untrue perception convince them to select his goods and services among others. In furtherance of the same, the phenomenon of comparative advertising reaps even better fruits. Well-known in the market as '*knocking copy*', comparative advertising is a type of commercial speech and the most effective means of product communication by which the advertised product is compared with a rival one, either directly or indirectly, with the intent of showing its superiority and thus dominate in the consumers' minds as the most desirable purchase choice.

Some commentators have hailed comparative advertising as "*a new method of communication which may well be the most vital new creative weapon to have come into advertisers' hands*".[143] Others have warned that it could turn the advertising industry into "*a carnival brand name shooting gallery - noisy, unproductive and unprofessional*" and could erode the credibility of all advertising.[144]

Comparative advertising can either have an *associational effect*; these claims essentially associate the advertised brand with the more famous and higher-regarded compared brand with regard to their perceived similarity (consumers' brand similarity perceptions) and thus free-ride on the coat tails of the well-known mark, or a *differentiation effect* by presenting the different features between the comparable products with the intent to highlight the superiority and supremacy of the advertised product.

On the one hand, comparative advertising, when objective, truthful and non-misleading, is a credible source of useful information to the public that can facilitate it in saving time and making easily rational and informed purchase decisions. Moreover, healthy comparative advertising stimulates the competition, giving the rival businesses the incentive to improve their products and slash the prices, to the benefit of consumers and market transparency.

On the other hand, the grey zone is the legality of the nature and extent of comparative advertising. When used with mala fide intention in the market, comparative advertising can

[143] Tyler, William D. "*Is Comparative Comparison Really Bad in Advertising? Reform with Care*" Advertising Age, (March 14, 1966), p. 61

[144] Roberts Jack *"Comparative Advertising … I'm O.K.… You're Not O.K."* speech delivered to American Association of Advertising Agencies, New York, November 15, 1973

be proven a deceptive marketing tool to the detriment of both trademark proprietors and consumers. In particular, trademarks have major legitimate intrinsic value since they provide symbolized information about the products they accompany. Their primary purpose is to 'distinguish the goods of one person from another' and thus enable customers to easily identify the goods and their origin. They also confer the trademark proprietor the exclusive right to prevent any unauthorized use of his trademark that can cause detriment to his interests. Therefore, in case an advertiser uses a rival trademark to compare his own products with the competitor's, and in the process discredits, disparages and denigrates it, such an act would also invoke legal issues of trademark infringement, apart from comparative advertisement and product disparagement.

The unconditional freedom as well the absolute prohibition of comparative advertising would inflate the imbalance between the conflicting interests of the advertiser and the trademark owner. Thus, the legislation of comparative advertising and the introduction of strict legitimacy requirements for its permissibility intent to mitigate such imbalance and render comparative advertising a lawful marketing technique that improves the brand-competitive environment and serves the interests of the consumers in making rational purchase decisions.

It could be argued that even though the efficiency of comparative advertising has become apparent in the internal market, many aspects need to be further evaluated by the domestic courts in a case-by-case basis. It is undeniable that in the near future that controversial solutions and differences may be evident in the ruling of similar or identical cases by national jurisdictions. The harmonizing process that inspired the Directive 2006/114/EC on Misleading and Comparative Advertising will require an additional construction of the Directive's provisions by the ECJ and of course a substantial amount of jurisprudence that will give guidance to Member States on how to handle comparative advertising cases more efficiently.

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