

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

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I. Introduction

1. Comparative Advertising as a Marketing Practice

a) Comparative Advertising – The Object of Examination

Even Economics sources agree that there is no general definition of the term comparative advertising¹. Studies make use of different and individual definitions thus rendering difficult any comparison of the results². One definition used in a number of studies, has been delivered in a seminal article by *Wilkie and Farris*³:

„Comparative Advertising is defined as advertising that:

1. compares two or more specifically named or recognizably presented brands of the same generic product or service class and
2. makes such a comparison in terms of one or more specific product or service attributes.“

This definition has been criticized as being too narrow⁴. Indeed, in many instances comparisons do not relate to brands of the same generic product⁵. Moreover, comparisons will frequently be no more than a simple reference without any comparison with regard to specific attributes (such as „bigger than“). Yet, no arguments are forwarded to limit the concept of comparative advertising excluding such practices. Surprisingly (for a lawyer, at least), some economists resort to definitions provided by the law to define the marketing practice of comparative advertising⁶. Such provisions have in common that another market participant is made identifiable for the addressees (cf. *infra* II.2.c).

¹ *Mayer/Siebeck*, Vergleichende Werbung: Aktuelle Ergebnisse zu ihrer Effektivität, Jahrbuch der Absatz- und Verbrauchsforschung, [1997], No. 4, p. 419, 420.

² *Rennhak*, Die Wirkungsweise vergleichender Werbung unter besonderer Berücksichtigung der rechtlichen Rahmenbedingungen in Deutschland, Arbeitspapiere zur Empirischen Forschung und Quantitativen Unternehmensplanung, Schriften zur Empirischen Forschung und Quantitativen Unternehmensplanung, [1999], vol. 1, p. 8.

³ *Wilkie/Farris*, Comparison Advertising: Problems and Potential, [1975] J. of Marketing no. 10, p. 7.

⁴ *Rennhak/Kapfelsberger*, Eine empirische Studie zur Einschätzung vergleichender Werbung durch Werbeagenturen und werbetreibende Unternehmen in Deutschland, in: [2000] Schriften zur Empirischen Forschung und Quantitativen Unternehmensplanung, vol. 2, p. 3, with further references.

⁵ E.g. the case underlying ECJ Case C-381/05 – *De Landtsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115: Comparison of a type of beer with champagne. An older German case involves a commercial spot calling upon customers to buy coffee instead of flowers, Federal Supreme Court (Bundesgerichtshof), 12.01.1972, Case No. I ZR 60/70 – *ONKO Coffee Instead of Flowers*, IIC 1973, 114.

⁶ *Rennhak/Kapfelsberger*, in: [2000] Schriften zur Empirischen Forschung und Quantitativen Unternehmensplanung, vol. 2, p. 4.

b) Significance of Comparative Advertising as a Marketing Practice

Economic Sciences generally relate to laws of the market that are universal by nature. Yet, when it comes to the analysis of the effects of comparative advertising from a business or marketing perspective, most publications remain remarkably provincial. One reason for this self-restraint is quite obvious: Comparative advertising as a real-world phenomenon can only be examined, where it occurs. If jurisdictions plainly prohibit comparative advertising, there is no object of examination. The second reason stems from the fact that comparative advertising, maybe to a larger extent than other marketing techniques, is „culture related“. Some societies are very used to all kinds of rankings and comparisons, while in other societies market participants fear that the negative impact on their public image caused by any comparative advertising might outweigh any positive effects of the comparison, because in the public opinion comparing oneself may be connected with a lack of professional integrity or credibility. The third reason is again related to the legal situation: Especially in jurisdictions, in which comparative advertising takes place in a blurred zone of legality, market participants might refrain from comparative advertising for fear of litigation. As a consequence, we lack hard facts relating to the economic impact of comparative advertising in a universal manner and lending themselves to legal assessment.

Yet, there are some well-known facts that may explain why comparative advertising is only used in surprisingly few instances, even in legal environments where it is traditionally allowed, addressees are used to that kind of marketing and legal compliance is not much harder to assess than for other forms of advertising: It is widely accepted that comparative advertising entails some positive effects: Comparative advertising arouses higher attention of the consumers and gives rise to more interest. A main effect relates to the consumers' knowledge of the product qualities. Comparative advertising is highly relevant to consumers' purchase intention.

On the other hand, comparative advertising has a negative impact on the credibility of the market participant making use of it: Comparative advertising is perceived as less credible and oftentimes more aggressive or unfair than other means of advertising. The confrontation of the consumers of the information contained in the comparative advertising with their pre-existing set of information may also lead to a cognitive dissonance causing defence mechanisms of the addressees such as the derogation of the source or counter-arguing in order to restore the cognitive balance. Then of course, comparative advertising risks drawing attention to the competitor's product and/or triggering advertising wars⁷.

2. Comparative Advertising and the Law

a) Comparative Advertising - Still a Hot Potato

As long as legal orders have been consciously dealing with comparative advertising, they have taken quite different approaches and stances towards the admissibility of such conduct. Suffice it to say at this point that considerable differences in the EU Member States laws

⁷ Cf. *Wiltinger*, Vergleichende Werbung zur Erhöhung der Werbeeffizienz in Industrie und Handel, in: [2003] 17 *Handelsforschung* 193, at 202 ff.

relating to comparative advertising caused the Community legislator to promulgate the Directive on Comparative Advertising⁸ in 1997.

On the level of individual rights and interests the rules on comparative advertising have to strike a balance between the right of privacy or (commercial) personality on one hand („*Le commerçant a le droit d'exiger qu'on ne parle pas de lui, même pour dire la vérité, ...*“⁹) and the freedom of commercial speech/of competition on the other. The national reports have clearly shown that at least there used to be considerable biases either towards the freedom of competition¹⁰ or towards the protection of competitors at the outset¹¹, even though during the last decades many differences may have become levelled and most national reporters found that currently their legal orders were producing a fair balance between both goals¹².

On the level of public interests comparative advertising may be considered either as an instrument fostering market transparency by providing valuable information notably to consumers or as a permanent cause for distortions of competition because of its inherent tendency to mislead: Comparisons as a means of advertising will seldom¹³ be objective. The features of comparison are normally carefully picked out¹⁴ by the advertiser. Comparisons will never relate to features with regard to which the own product is inferior to the compared product; much rather features will be chosen, with regard to which a comparison is as favourable as possible towards the own product.

b) *Legal Nature of Provisions on Comparative Advertising*

The regulatory approaches are as different with regard to form as they are – or at least used to be – with regard to substance: Provisions on comparative advertising may come in the guise of Competition Law¹⁵, Unfair Competition Law¹⁶, Market Law¹⁷, Consumer Law¹⁸, Intellectual Property Law¹⁹, Advertising Law²⁰, Administrative Law²¹ or general Private Law²². It goes without saying that the enforcement systems are largely influenced by these

⁸ Directive 97/55/EC of the European Parliament and of the Council of 6 October 1997 amending Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising, [1997] OJ L 290/18, rec. 3. The amended Directive on misleading and comparative advertising has been superseded by the codified version 2006/114/EC, [2006] OJ L 376/21.

⁹ *Frédéricq*, *Traité de Droit Commercial Belge*, 1947, vol. II, para. 108.

¹⁰ E.g. Germany, p. 4, Italy, p. 7, United Kingdom, p. 2 f.

¹¹ E.g. Austria, p. 5 f., France, p. 5 f.

¹² See United Kingdom, p. 9.

¹³ For an exception cf. the case underlying ECJ Case C-356/04 – *Lidl Belgium GmbH & Co KG v Etablissements Franz Colruyt NV*, [2006] ECR I-8501.

¹⁴ Sometimes even designed, cf. the case underlying ECJ Case C-44/01 – *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer*, [2003] ECR I-3095.

¹⁵ E.g. Italy, p. 1 ff.

¹⁶ E.g. Austria, p. 1 f., China, p. 1, Czech Republic, p. 1 f., France, p. 3, Germany, p. 1, Hungary, p. 1 f., Japan, p. 1, Switzerland, p. 1.

¹⁷ E.g. Sweden, p. 2.

¹⁸ E.g. Belgium, p. 3, Brazil, p. 6, France, p. 3, Italy, p. 1 ff.

¹⁹ E.g. Brazil, p. 6, United Kingdom, p. 2.

²⁰ E.g. China, p. 1, Czech Republic, p. 1, Hungary, p. 1 f.

²¹ E.g. Japan, p. 1.

²² E.g. Czech Republic, p. 1.

basic decisions taken by the national legislators. Even within the EU we find a vast array of regulatory approaches, because Art. 5 of the Directive on Misleading and Comparative Advertising²³ (hereinafter: Directive on Misleading Advertising) expressly leaves to the Member States the choice of adequate and effective means of enforcement.

3. *Comparative Advertising and Intellectual Property Rights*

a) *A Fish Without a Bicycle?*

At first sight there is an obvious overlap of the provisions on comparative advertising and Trade Mark Law: A comparison depends on another market participant being made identifiable. The easiest way of making this market participant identifiable is, of course, to make use of his identifiers, most notably trade marks, natural names, business designations etc.

Yet, under a very classical perspective both fields of law can and do live very independent lives: Under such a classic perspective any comparative advertising requires the direct comparisons of competing products, while any trade mark infringement requires the use of the protected sign „as a trade mark“, i.e. to identify products as to their commercial origin. Comparative advertising, in such a classical sense, makes entirely clear that the competitor’s identifiers, be they natural names, business designations or trade marks, are not used to identify the own product or business, but rather juxtaposed, and thereby excludes the use “as a trade mark”. That kind of peaceful co-existence is still lived in Brazil²⁴.

In particular the relationship with Trade Mark Law has developed to become a source of problems, where and because the requirements of trade mark infringement have been watered down: The undue exploitation, tarnishment or dilution of the repute of trade marks, against which EU Member States’ Trade Mark Laws may afford protection pursuant to Art. 5 para. 2 Trade Mark Directive²⁵ and the Community Trade Mark affords protection in Art. 9 para. 1 let. c Community Trade Mark Reg.²⁶, may occur even without any trade mark use in a narrow sense. So it appears only consequent that the case law of the ECJ, even though formally clinging to the language of “use of a sign identical with, or similar to, the trade mark in respect of goods marketed or services supplied by the third party”²⁷ has interpreted this requirement very largely comprising also comparative advertising²⁸.

²³ Today in the codified version: Directive 2006/114/EC of the European Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising, [2006] OJ L 376/21.

²⁴ Cf. Brazil, p. 7.

²⁵ 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 (Codified version), [2008] OJ L 299/25.

²⁶ Council Regulation (EC) No. 207/2009 of 26 February 2009 on the Community trade mark (codified version), [2009] OJ L 78/1.

²⁷ Cf. ECJ Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 34; citing ECJ Case C-48/05 – *Adam Opel AG v Autec AG*, [2007] ECR I-1017, para. 28.

²⁸ ECJ Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 36; confirmed by ECJ Case C-487/07 – *L’Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 53.

Moreover, comparative advertising today has gone far beyond comparing prices of butter or trunk sizes of cars – which the narrow definition cited *supra* would suggest. Entirely depending on the national regulatory environment comparative tests by consumer associations or media may also be caught by the provisions on comparative advertising²⁹. The same is true for statements not relating to individual competitors, such as claims of superiority or comparisons to products of a geographic origin³⁰. Even the approximation of the external design to that of a well-known product may be considered comparative advertising³¹. Under such circumstances it is not only trade mark rights of the producer of the compared product that are at stake, but also design rights, geographical indications or copyrights.

b) Overlap, Prevalence and Harmonic Interpretation

Against the backdrop of extension of both Trade Mark Law and the provisions governing comparative advertising it is entirely possible that the same sets of facts are covered by both sets of rules. This phenomenon will be referred to hereinafter as “overlap”. The mere fact that both sets of rules overlap, gives no information on the legal consequences.

The easiest answer on these consequences might be that simply both sets of rules are applied independently and in a cumulative manner. However, this might lead to the consequence that certain decisions of the legislator regarding one set of rules may be disregarded and in fact be frustrated by the application of the other set of rules.

One way to solve such problems is to create express rules that the result of one set of rules shall prevail. Where such express rules do not exist, one might resort to generally accepted rules such as *lex specialis derogat legi generali* or that younger acts of legislation supersede older acts of legislation. Rules relation to such questions will be referred to hereinafter under the term “prevalence”.

Where there is overlap, but no express rules on prevalence exist, the *lex specialis* argument is excluded, if both sets of rules pursue different goals. The younger law approach is convincing only in cases in which the *lex posterior* legislator pursued an intention to change the older law. The only convincing method to reconcile both sets of law is a harmonic interpretation, trying to maintain a meaningful scope of application for each set of rules while avoiding the frustration of any of them.

c) Problem Scenarios

The considerable overlap between the rules on comparative advertising on one hand and the various IP rights on the other provoke the question which regime prevails. Of course, there is no problem as long as there is neither an IP right infringement nor unlawful comparative advertising.

The opposite situation, in which we find both an IP right infringement and unlawful comparative advertising, is not quite as simple as it may seem. While we know that the

²⁹ E.g. Italy, p. 7, Sweden, p. 5, Switzerland, p. 2. United Kingdom, p. 5.

³⁰ E.g. Austria, p. 9 f., Belgium, p. 7 ff., Sweden, p. 6, Switzerland, p. 2.

³¹ E.g. Austria, p. 11, Belgium, p. 9 ff., Italy, p. 9, Sweden, p. 6 f., Switzerland, p. 3, United Kingdom, p. 5.

pertinent conduct is illegal at any rate, the sanctions may vary considerably depending on the set of rules applied.

Then there are the mixed results: At least for European lawyers it seems quite clear that lawful comparative advertising should not amount to an IP right infringement. At the end of the day the rules on comparative advertising should prevail. Unfortunately, the reasoning is not as clear. And then there is of course the key question, giving rise to this examination, whether the use of protected IP rights should affect the analysis of the lawfulness under the provisions governing comparative advertising.

In the opposite situation even the result is questionable: Does unlawful comparative advertising leave the IP question unfettered or should the violation rather indicate that IP rights are infringed as well?

d) Relation No One-Way Street!

The question asked at the outset seems to imply that only IP rights bear on the scope of lawful comparative advertising. However, such a perspective seems misleading, at least for the EU. Quite to the contrary, so far there has been primarily an influence of the law of comparative advertising on Trade Mark Law: Recitals 14, 15³² of the Directive on Misleading Advertising make quite clear that lawful comparative advertising cannot in itself amount to an infringement of a trade mark. An influence of the inherent value of an IP right on the interpretation of the requirements of lawful comparative advertising has been – at least implicitly³³ – rejected. It is quite questionable whether this assumption should be accepted and be part of the legal analysis.

4. Comparative Advertising, IP rights and the LIDC

The LIDC has dealt with the issue of comparative advertising several times: In 1980, the LIDC adopted a resolution on comparative advertising, and in 1994, at the Congress of Berlin, the LIDC adopted the resolution on the harmonization of the laws relating to unfair competition including the principles to be taken into account in the course of using a third party's trademark in comparative advertising. The resolution adopted in Budapest in 2004 recommended that express legal provisions grant an exemption from infringement to the user of a third party's IP right (e.g., trademark, copyright, design), if all criteria for comparative advertising are met. This requires further harmonization of the laws constituting such proprietary rights relating to the scope of non-infringing use.

³² „(14) It may, however, be indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor.

(15) 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.“

³³ Case C-44/01 – *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer*, [2003] ECR I-3095, para. 84.

Since Budapest, the ECJ has interpreted the meaning of certain provisions of the Directive in several cases³⁴: It is now time to analyze the experiences which have emerged recently under the new rules and the new interpretation of the requirements for comparative advertisements and to focus on the specific relationship between comparative advertising and intellectual property rights (IP Rights). It is in this context that LIDC decided to place the question of comparative advertising onto the agenda for the Bordeaux Congress of 2010. Already at this point it deserves mentioning that the Court of Appeal of England and Wales referred to the ECJ the question whether there was a requirement of indispensability, if a trader uses in a comparative advertisement the registered trade mark of a competitor. This question was left unanswered in the ECJ's *O2* judgement³⁵. Yet, we sincerely hope that this conference is able to provide the ECJ with arguments to decide the question in a case to come.

II. Comparative Assessment

1. Scope and Method of the Comparative Analysis

a) Comparative Scope

While this is called the International League of Competition Law the participating national groups show that the legal order of the European Union is considerably over-represented: No less than eleven out of fourteen national groups are from EU Member States. Adding Switzerland, since the early 1990s “autonomously adopting” EU legislation³⁶, to this block there are only three “windows” to the outside left, opening views to the Americas and East Asia. This international report is based on national reports from Austria, Belgium, Brazil, China, the Czech Republic, France, Germany, Hungary, Italy, Japan, Luxemburg, the Nordic group (hereinafter abbreviated as “Sweden”), Switzerland and the United Kingdom.³⁷

³⁴ ECJ Case C-59/05 – *Siemens AG v VIPA*, [2006] ECR I-2147; Case C-381/05 – *De Landtsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115; Case C-356/04 – *Lidl Belgium GmbH & Co KG v Etablissements Franz Colruyt NV*, [2006] ECR I-8501; Case C-533/06 – *O2 Holdings Limited, O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231; Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185. Following the LIGUE's decision the joined cases C-236/08 to C-238/08 – *Google France SARL and Google Inc. v Louis Vuitton Malletier SA (C-236/08)*, *Google France SARL v Viaticum SA and Luteciel SARL (C-237/08)* and *Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others (C-238/08)*, not yet reported, were decided.

³⁵ ECJ Case C-533/06 - *O2 Holdings Limited, O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 72.

³⁶ While there has been no formal amendment of the Swiss Act on Unfair Competition subsequent the 1997 EC Directive on Comparative Advertising, such amendment did not occur because the earlier Swiss law was found by and large in conformity with the Directive, cf. *Baudenbacher/Glöckner*, in: Baudenbacher, *Lauterkeitsrecht*, 2001, Art. 3 let. e para. 25; *Ritscher/Beutler*, *Vergleichende Werbung - die neue EU-Richtlinie im Vergleich mit dem schweizerischen Recht*, sic! 1998, 261 ff.

³⁷ Unfortunately, there were no reports from the Baltic Group.

b) Method

The questionnaire which was handed out to the national reporters contained a set of fairly detailed questions, while it permitted to refrain from answering the detailed questions and to give a comprehensive overview instead. Yet, none of the national reporters found it necessary to do so. So, even while the questionnaire may reflect the international reporter's cultural bias towards a "European" perspective of the Law of Comparative Advertising and Intellectual Property Right, the reports of Brazil, China and Japan have shown that the questions were open enough to be answered from the perspective of non-EU jurisdictions. So, this exercise has not led to a merely intra-European analysis.

All of the national reporters – individually listed in the Annex – took great care to portray the state of law in their respective jurisdictions accurately. Some even went the extra way to seek approval by their national groups in order to render their reports on a broadened basis. It was a pleasure to work on the grounds of these national reports, and, if the audience should find the international report helpful, this is mostly due to the excellent preparation by the national reports held available on the LIDC's website³⁸. It goes without saying that the following summary of the comparative analysis necessarily simplifies and thereby possibly distorts the more differentiated analysis in the participating jurisdictions. For a full picture the audience is kindly asked to turn to the national reports³⁹.

With regard to the conclusions drawn from the national reports the international reporter has intentionally refrained from a comparative research of his own out of respect towards the national reports. That is why references to participating states' case law or doctrine are made very sparingly. The main focus with regard to the conclusions has been the legal order within the EU. The cases presented to the ECJ have been used as a test bench for the practicality of the suggested conclusions.

2. Legal Framework of Comparative Advertising

a) Structures

To start with the common grounds, all participating jurisdictions report the existence of specific rules governing the requirements of lawful comparative advertising. At this stage China marks the only significant variation in that it is the only participating jurisdiction with a plain prohibition of specific comparative advertising. Consequently, the overlap problem arises only, where there is no specific comparative advertising, in particular comparisons to products of a geographical origin.

Further, it does not surprise that all EU Member States reported that the provisions on comparative advertising are very specific and that this specific legal framework of comparative advertising is enshrined in acts of positive legislation. This amount of harmony is owed to the detailed catalogue in Art. 4 of the Directive on Misleading Advertising.

³⁸ <http://www.ligue.org/congres.php?lg=en&txtt=17> (site last visited on 10-4-2010).

³⁹ The following citations relate to the reports as they are held available on the LIGUE's website. The citations relating to France are based on the full report rendered in French language.

Brazil⁴⁰, China⁴¹ and Switzerland⁴² reported less specific provisions. Brazil and Switzerland thereafter reported that they are to a higher extent shaped by case law⁴³. It is worth noting, however, that even for the jurisdictions with specific rules enshrined in acts of positive law the national reporters stress the significance of the courts' rulings hammering out the lines of these provisions⁴⁴.

Beyond this point the regulatory approaches to comparative advertising vary widely both with regard to the substance and to the positioning of the pertinent provisions within the respective legal orders. Provisions on comparative advertising come in the guise of Competition Law⁴⁵, Unfair Competition Law⁴⁶, Market Law⁴⁷, Consumer Law⁴⁸, Intellectual Property Law⁴⁹, Advertising Law⁵⁰, Administrative Law⁵¹ or general Private Law⁵². Even where the rules on comparative advertising may be characterized as part of the regime of Intellectual Property Rights⁵³, there are many differing features requiring a specific co-ordination of the sub-regimes.

The EU regulatory framework appears to have achieved a high degree of harmonisation: The Trade Mark Directive, the Directive on Unfair Commercial Practices⁵⁴ and the Directive on Misleading Advertising in the field of comparative advertising demand full harmonisation! With no less than eleven reports from jurisdictions within the EU one might suppose that, ideally, all of those reports should basically give identical answers. Instead an astounding variation in the scope of comparative advertising and its overlap with IP rights can be observed:

⁴⁰ Brazil, p. 6.

⁴¹ China, p. 1

⁴² Switzerland, p. 1.

⁴³ It deserves mentioning that the terms „case law“ or „judge made law“ should not imply that courts' decisions are considered formal sources of law, which is not the case in civil law jurisdictions. Yet, it is quite obvious that even in civil law jurisdictions the courts' practice is of utmost significance for the development of law, especially in areas where the legislator heavily relies on general clauses with an open-textured language.

⁴⁴ E.g. Czech Republic, p. 2, France, p. 5, Italy, p. 6.

⁴⁵ E.g. Italy, p. 1 ff.

⁴⁶ E.g. Austria, p. 1 f., China, p. 1, Czech Republic, p. 1 f., France, p. 3, Germany, p. 1, Hungary, p. 1 f., Japan, p. 1, Switzerland, p. 1.

⁴⁷ E.g. Sweden, p. 2.

⁴⁸ E.g. Belgium, p. 3, Brazil, p. 6, France, p. 3, Italy, p. 1 ff.

⁴⁹ E.g. Brazil, p. 6, United Kingdom, p. 2.

⁵⁰ E.g. China, p. 1, Czech Republic, p. 1, Hungary, p. 1 f.

⁵¹ E.g. Japan, p. 1.

⁵² E.g. Czech Republic, p. 1.

⁵³ E.g. Brazil, p. 6, United Kingdom, p. 1 f.

⁵⁴ 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 and amending Council Directive 84/450/EEC, Directives 97/7/EC, 98/27/EC and 2002/65/EC of the European Parliament and of the Council and Regulation (EC) No. 2006/2004 of the European Parliament and of the Council ('Unfair Commercial Practices Directive'), [2005] OJ L 149/22 (hereinafter: UCP Directive)

b) Scope of Application

As was mentioned supra the notion of comparative advertising has expanded over time. It does not only cover advertising, in which market participants compare specific features of their products to those of a competitor.

(1) Comparative Tests and Reports by Consumer Associations or Media

One of these extensions stems from conducting and/or publishing the results of comparative testing by consumer associations or media. Some jurisdictions find such conduct covered by the provisions on comparative advertising⁵⁵, while others do not⁵⁶. Under German law the question is debated.

Jurisdictions limiting the scope of comparative advertising usually refer to the requirement that a representation has to be made „in order to promote“ business interests (cf. Art. 2 let. a of the Directive on Misleading Advertising). Yet, others simply require that a competitive conduct have objective appreciable effects on the market, without any subjective requirements. In such cases even tests by independent consumer organisations or in specialized magazines (e.g. motor magazines) may get caught by the provisions on comparative advertising.

(2) Non-informative comparisons

Another kind of comparison takes place, where it is not specific features that are compared thus improving consumer information, but where the advertisement appeals to taste or rather plays with a competitive relationship. Such comparative advertising may be considered particularly funny and enriching the regular stream of dull advertising.

Many reports make clear that some of these ads may fall under the rule of obvious exaggeration not being subject to literal analysis of their contents (“puffing” rule). Yet, most confirm that also playful or funny comparisons are caught by the rules on comparative advertising⁵⁷. Only the non-European jurisdictions report that such non-informative commercials are not considered comparative advertising⁵⁸.

(3) Comparisons to not individually recognizable competitors

The clear cut case of comparative advertising is certainly the comparison to one, expressly named competitor. Likewise the cases are simple, where the individual competitor – typically a market leader – may not be expressly named, but identifiable from the perspective of the model addressee.

⁵⁵ E.g. China, p. 2, Italy, p. 7, Sweden, p. 5, Switzerland, p. 2, United Kingdom, p. 5.

⁵⁶ E.g. Austria, p. 7 f., Belgium, p. 6 f., Czech Republic, p. 3, France, p. 7 f., Hungary, p. 5 f., Japan, p. 1.

⁵⁷ Austria, p. 8 f., Belgium, p. 7, Czech Republic, p. 2 f., Hungary, p. 5, Luxemburg, p. 3, Sweden, p. 5, Switzerland, p. 2, United Kingdom, p. 5.

⁵⁸ Brazil, p. 6, Japan, p. 1.

Problems occur however, if the comparison relates to an open or closed class of competitors. A classic case is superlative advertising (“the best”, “the oldest”). An assertion of superiority certainly includes an assertion to be “better than” or “older than” any competitor. Consequently, some jurisdictions consider such advertising as a comparison with each and every competitor⁵⁹. Others will try it only against the prohibition of misleading advertising⁶⁰.

Similarly, comparisons of one’s own products with products of a certain geographic origin are though not directed against individual competitors, but may make competitors marketing products with this geographic origin identifiable. Some jurisdictions subject such advertising to the provisions governing comparative advertising⁶¹, some do not⁶².

(4) Comparisons by approximation of design

Protection against the approximation of external design may be considered the primitive rocks of Unfair Competition Law. One of the earliest reported French cases, dating back to the 1840s, concerned a producer of mineral water who shaped and made up his bottles with regard to the labels and closures similar to the products of another producer⁶³. This case exemplifies the original role of Unfair Competition Law as sibling to the then young and developing Intellectual Property Law. The vicinity of Unfair Competition Law to Intellectual Property Law is likewise mirrored by the provision of Art. 10^{bis} of the Paris Convention alongside the setting of minimum standards for the protection of “industrial property rights”. But why might the approximation of external design amount to comparative advertising? It is helpful to distinguish classes of cases:

(a) The copycat makes use of the design of a competing product which is not well-known, maybe not even present on a given market. Then “only” the effort and the money invested into the design are at stake. Consequently, protection is granted primarily by Design Law. It depends whether Unfair Competition Law is used to close perceived gaps in protection. This case has nothing to do with comparative advertising, because a competitor will not be identified by the opposite market side.

(b) The copycat makes use of a well-known design that is attributed to a competitor. In this case a competitor is made identifiable and the imitation of the product design may first suggest that the product is marketed by the producer of the “original” product and thus create a risk of confusion. At first sight such case appears to be covered (exclusively?) by Design Law, by Trade Mark Law, if the shape gives an indication to commercial origin, or by Unfair Competition Law, if the risk of confusion gives rise to addressees being misled at the same time.

Yet, if the notion of comparative advertising is interpreted in a wide sense not requiring comparisons of specific features of a product, but encompassing all kinds of advertising making identifiable a competitor, this kind of product imitation will have to be subject to the

⁵⁹ Austria, p. 9 f., Sweden, p. 6, Switzerland, p. 2.

⁶⁰ Brazil, p. 7; France, p. 10 f., Hungary, p. 6 f., Italy, p. 7 f., Japan, p. 1 f., Luxemburg, p. 3.

⁶¹ Austria, p. 9 f., Belgium, p. 7 ff., Czech Republic, p. 4, Luxemburg, p. 3, Sweden, p. 5 f., Switzerland, p. 2.

⁶² Brazil, p. 7, Japan, p. 1.

⁶³ Cour d’appel de Lyon, 21.8.1851, D. 1854, 2, 266.

provisions on comparative advertising as well. Overlaps with the regimes mentioned are uncritical, as long as the product imitation gives rise to a risk of confusion, for in such case all regimes lead to the prohibition. Again, jurisdictions are split: Some will apply the provisions on comparative advertising⁶⁴, some will not⁶⁵.

(c) The copycat makes use of a well-known design. A risk of confusion for direct purchasers is excluded (e.g. by clear indications of commercial origin, distribution channel or price tag), but the general public may be misled (so-called “post-sale confusion”). Again the comparison yields differing results: Some jurisdictions apply the provisions on comparative advertising⁶⁶, some do not⁶⁷.

(d) Finally, the imitation of the external design may make a competitor identifiable as a target of approximation. While it may be entirely clear that the copycat product can neither be attributed directly to the competitor nor are there any business connections whatsoever, the approximation may amount to a clear statement: “This product is fit for the same purpose as XYZ and is a direct replacement”. Typical cases include supermarket look-alikes. In such an environment the vicinity to comparative advertising is even more obvious. So it is no surprise that a number of jurisdictions apply the pertinent provisions⁶⁸.

(5) Comparisons beyond a competitive relationship?

Finally, it is quite clear that the rules of comparative advertising apply within a competitive relationship determined according to generally accepted rules of Competition Law, i.e. where the addressees can substitute the products of one competitor for the products of the other. But how do we treat cases where market participants are identifiable whose products are not substitutable in the meaning of Competition Law? Does it fall within the provisions on comparative advertising, if a producer of beer compares his product to French champagne⁶⁹, if a producer of mineral water does the same⁷⁰ or if a producer of whiskey depicts a bottle of his product in front of the identifiable and trade mark protected radiator grille of a luxury car? Again we find a group of jurisdictions applying the provisions on comparative advertising⁷¹, while others do not⁷².

⁶⁴ Austria, p. 11, Belgium, p. 9, Italy, p. 9, Luxemburg, p. 4, Sweden, p. 6, Switzerland, p. 3, United Kingdom, p. 5.

⁶⁵ Brazil, p. 7, Czech Republic, p. 4, Japan, p. 1.

⁶⁶ Belgium, p. 9 f., Italy, p. 9, Luxemburg, p. 4, Switzerland, p. 3, United Kingdom, p. 5.

⁶⁷ Brazil, p. 7, Czech Republic, p. 4, France, p. 12, Japan, p. 1.

⁶⁸ Belgium, p. 10 f., Italy, p. 9, Luxemburg, p. 4, Switzerland, p. 3, United Kingdom, p. 5.

⁶⁹ ECJ Case C-381/05 – *De Landsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115; cf. the older German case of a producer of mineral waters using the (German) slogan „*A Champagne among mineral waters*“, Federal Supreme Court (Bundesgerichtshof), 04.06.1987, Case No. I ZR 109/85 – *A Champagne Among Mineral Waters*, IIC 1988, 682.

⁷⁰ Federal Supreme Court (Bundesgerichtshof), 04.06.1987, Case No. I ZR 109/85 – *A Champagne Among Mineral Waters*, IIC 1988, 682.

⁷¹ Austria in business-to-consumers relations, p. 11, Belgium, p. 11, debated in rep. Czech Republic, p. 4 f., Switzerland, p. 3, United Kingdom, p. 5 f.

⁷² Brazil, p. 7, sceptical rep. Czech Republic, p. 4 f., France, p. 13, Hungary, p. 8, Italy, p. 9 f., Japan, p. 1, Luxemburg, p. 4, Sweden, p. 7.

c) *Conditions for Lawful Comparative Advertising in Relation to IP Rights*

No matter how far the scope of the provisions relating to comparative advertising is extended, there will always be a requirement that another participant in the market (though not necessarily a direct competitor) be identifiable (cf. already the economic definition given at the outset, I.1.a). So it is almost inevitable that comparative advertising makes use of identifying signs of that market participant. Such identifiers may relate to the identity of this market participant (e.g. the firm or the business designation) or this market participant's products (mostly trade marks). In the line of cases described supra b) (4) design protection will be an issue, in the line of cases described supra b) (3) the protection of geographical indications. Finally, depending on the scope of Copyright Law, the identifiers used on comparative advertising or the imitated design itself might be a copyrighted work.

So, depending on the scope of application of the provisions relating to comparative advertising and the various IP rights at issue there will be an overlap between the rules of IP Law and the provisions relating to comparative advertising. The following questions tried to assess the scope of application of such IP rights and their relation to the provisions governing comparative advertising.

(1) Protection of identifying signs – in particular the relation to Trade Mark Law

One first question tried to find out which other signs than trade marks could be used to make a competitor identifiable. One jurisdiction cited names⁷³, most cited business designations such as firms⁷⁴, some referred to internet domain names⁷⁵.

One of the hottest issues of Trade Mark Law – at least in the EU – relates to its scope with regard to the use of another holder's trade marks not as a trade mark for own products. A series of cases decided by the ECJ, spanning from *BMW v Deenik*⁷⁶ over *Arsenal*⁷⁷ and *Opel v Autec*⁷⁸ to *O2*⁷⁹ and *L'Oréal*⁸⁰, has not been able to clarify the situation. Ideally, the answers to questions 2 (a) through (f) should have been identical in all reports from EU Member States.

The results, however, are a far cry from that: The answers to the initial question whether the national Trade Mark Law requires for infringement that the protected trade mark be used in a particular manner, in particular as indicator of commercial origin, in other words whether trade mark protection require the use of the protected sign “as a trade mark”, revealed the legal uncertainty brought about by the ECJ's decisions: No less than four EU Member States

⁷³ France, p. 15.

⁷⁴ Belgium, p. 13, Brazil, p. 7, France, p. 14, Hungary, p. 8, Italy, p. 10, Luxemburg, p. 4, Sweden, p. 7.

⁷⁵ Belgium, p. 13, France, p. 14, Italy, p. 10.

⁷⁶ ECJ Case C-63/97 – *Bayerische Motorenwerke AG (BMW) and BMW Nederland BV v Ronald Karel Deenik*, [1999] ECR I-905.

⁷⁷ ECJ Case C-206/01 – *Arsenal Football Club plc v Matthew Reed*, [2002] ECR I-10273.

⁷⁸ ECJ Case C-48/05 – *Adam Opel AG v Autec AG*, [2007] ECR I-1017.

⁷⁹ ECJ Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231.

⁸⁰ ECJ Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185.

and China denied that trade mark use is required⁸¹, while five plus the three other extra-EU jurisdictions confirmed⁸².

If no trade mark use is required, the question has to be asked, by which means a trade mark infringement can be avoided in cases of comparative advertising. If the use of an identifying sign in comparative advertising is covered by Trade Mark Law, liability may be excluded with the lack of a risk of confusion in clear cases under Art. 5 para. 1 let. a Trade Mark Directive. Problems arise, however, where identical trade marks are used for identical products, which is very likely in the case of word marks. That's why it was asked whether such use always considered an infringement or whether the assumption of a risk of confusion underlying the prohibition of using identical signs for identical kinds of products could be rebutted, if another owner's trade mark was obviously used to identify this owner's products. Again four EU Member States⁸³, China⁸⁴ and Japan⁸⁵ denied the latter, while three Member States⁸⁶, Brasil⁸⁷ and Switzerland⁸⁸ confirmed.

Another way of limiting liability under Trade Mark Law might be an exemption for the referring use of the protected sign. That's why it was asked whether such an exemption existed and whether comparative advertising constituted an accepted case of such indicating use. Four jurisdictions denied⁸⁹, while three confirmed⁹⁰. To add to that it was asked whether it was required that the comparative advertising be lawful under the requirements for comparative advertising. Italy and Luxemburg confirmed this⁹¹.

Finally, it was asked straightforwardly whether lawful comparative advertising provided for a justification for a trade mark infringement. This question at least yielded a clear majority of seven jurisdictions confirming⁹² and five denying⁹³.

It deserves mentioning, however, that this depiction may overstate the real world difference as the distinctions between trade mark use, a rebuttal of risk of confusion, legitimate referring use and justification may not be established within the various jurisdictions. To give an example, national reporters confirming the requirement of a trade mark use might just as well answer the follow-up questions in the negative, because a given trade mark use requirement may render all such instruments obsolete, or in the positive, because the trade mark use requirement may be considered to comprise all other instruments.

⁸¹ Belgium, p. 15, China, p. 3, Italy, p. 10 f., Luxemburg, p. 5, Sweden, p. 8.

⁸² Austria, p. 13, Brazil, p. 7, Czech Republic, p. 6 f., Germany, p. 6 f., Hungary, p. 8 f., Japan, p. 4, Switzerland, p. 4, United Kingdom, p. 5.

⁸³ Austria, p. 13, Hungary, p. 9 f., Italy, p. 11, Luxemburg, p. 5.

⁸⁴ China, p. 4.

⁸⁵ Japan, p. 5.

⁸⁶ Belgium, p. 15 ff., Czech Republik, p. 7, Sweden, p. 8.

⁸⁷ Brazil, p. 7.

⁸⁸ Switzerland, p. 4.

⁸⁹ Austria, p. 14, China, p. 4, Czech Republic, p. 7, Germany, p. 8.

⁹⁰ Italy, p. 12, Japan, p. 4, Luxemburg, p. 5.

⁹¹ Italy, p. 12, Luxemburg, p. 5.

⁹² Austria, p. 14, Belgium, p. 17, Brazil, p. 8, Czech Republic, p. 7, Italy, p. 12, Luxemburg, p. 6, Switzerland, p. 5, United Kingdom, p. 5

⁹³ China, p. 4, Germany, p. 8, Hungary, p. 10 f., Japan, p. 4, Sweden, p. 9.

With regard to the overlap of Trade Mark Law and the Law on Comparative Advertising it was asked whether the legal systems contained specific provisions governing this relationship. Only two jurisdictions⁹⁴ reported the existence of such rules. Their scope is limited, however, to stating that the use of a trade mark within a lawful comparative advertisement is legitimate referring use of the identifier. The absence of such specific rules would not cause major problems, if the general rules applied to cases of overlap solved the problems. Yet, the reports revealed a remarkable lack of awareness of the legislators throughout the various jurisdictions, which may explain the common interest in this matter.

The key question, of course, was not only whether lawful comparative advertising was able to limit trade mark infringement (which was explored by the first set of questions), but also whether the requirements to lawful comparative advertising were placing any significance to the intensity of the trade mark infringement (see supra I.3.c "No One-Way Street"). To find out about this it was asked whether the legal systems contained provisions limiting lawful comparative advertising to a principle of indispensability with regard to the use of the compared party's IP rights. Five jurisdictions do so⁹⁵, eight do not⁹⁶.

(2) Protection of Design

The next set of questions related to the approximation of external design, insofar as such might fall under the scope of the provisions on comparative advertising. An initial question was asked to explore the regulatory framework of design protection (excluding works of art protected by copyrights and technical inventions protected by patents). In all jurisdictions an independent protection of design is afforded, only in one jurisdiction it comes under the guise of Unfair Competition Law⁹⁷. Such an independent protection usually requires that the design be new and characteristic⁹⁸ or new and original⁹⁹. Many jurisdictions, however, grant additional protection under Unfair Competition Law¹⁰⁰.

The follow-up question relating to a possible overlap with the provisions on comparative advertising gave away considerable differences: In eight jurisdictions an overlap is possible¹⁰¹, in six it is not¹⁰². The question as to the consequences yielded no clear results. Four jurisdictions give prevalence to the rules on comparative advertising¹⁰³. It is worth noting, however, that for the jurisdictions, in which an overlap is not considered possible, the question was irrelevant.

⁹⁴ Hungary, p. 11: cf. Sec. 13 para. 3 Advertising Act; Italy, p. 12: cf. Art. 4 para. 1 let. d, e, g, h Decreto Legislativo no. 145/2007; Art. 21 para. 2 Code on Industrial Property.

⁹⁵ Austria, p. 14, Brazil, p. 8, Hungary, p. 11, Italy, p. 12, Sweden, p. 9.

⁹⁶ Belgium, p. 17, China, p. 4, Czech Republic, p. 7, Germany, p. 9, Japan, p. 5, Luxemburg, p. 6, Switzerland, p. 6, United Kingdom, p. 6.

⁹⁷ Japan, p. 5.

⁹⁸ Austria, p. 15.

⁹⁹ Switzerland, p. 6.

¹⁰⁰ Austria, p. 15 f., Belgium, p. 19 f., Czech Republic, p. 8, Italy, p. 13.

¹⁰¹ Austria, p. 16, Belgium, p. 20, Czech Republic, p. 8, France, p. 22, Hungary, p. 11 f., Italy, p. 13, Luxemburg, p. 6, Sweden, p. 9.

¹⁰² Brazil, p. 8, China, p. 5, Germany, p. 9, Japan, p. 5, Switzerland, p. 6, United Kingdom, p. 6.

¹⁰³ Belgium, p. 20, Czech Republic, p. 8, Hungary, p. 12, Luxemburg, p. 7.

(3) Protection of geographical indications

For geographical indications the use of which may fall under the scope of the provisions on comparative advertising (see supra II.2.b)(3)) the same initial question was asked to explore the regulatory framework. In this case the answers of the EU Member States were expected to be uniform. Indeed, most of the reports cited the special protection on the basis of Reg. No. 510/2006¹⁰⁴.¹⁰⁵ Switzerland has adopted a similar system¹⁰⁶. Geographical indications may likewise be protected by Trade Mark Law in Switzerland¹⁰⁷, China¹⁰⁸ and in the EU Member States¹⁰⁹. An overlap with the provisions relating to comparative advertising was confirmed by eight jurisdictions¹¹⁰.

The following question was in fact due to a special provision in Art. 4 let. e of the Directive on Misleading Advertising. It was asked whether and under which circumstances the respective legal systems permitted to compare products protected by designations of origin, that do not benefit from the same designation of origin. All jurisdictions within the EU reported that this was not allowed¹¹¹, even if – with regard to the follow-up question – the comparing product was also a product covered by a designation of origin highlighted in the comparison (is it allowed to compare Parma ham with Serrano ham, Champagne with Prosecco di Valdobbiadene or Cava?). Fortunately for competition at least one extra-EU jurisdiction admits comparisons in both cases¹¹².

(4) Copyright

Copyright Law may become critical, if either the identifiers used in a comparative advertisement are protected by a copyright or in the case of imitation marketing the imitated product design is protected by a copyright. Once more an exploring question was asked to determine the scope and the requirements of Copyright Law. All jurisdictions reported that creative work is protected by a copyright and that such requires an intellectual creation¹¹³, an expression of intellectual efforts¹¹⁴, originality¹¹⁵, uniqueness as the result of the author's creative activity¹¹⁶, an intellectual creation¹¹⁷, an original work of art reflecting the author's

¹⁰⁴ Council Regulation (EC) No. 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, [2006] OJ L 93/12.

¹⁰⁵ Austria, p. 17 ff., Belgium, p. 21, France, p. 24, Germany, p. 10, Luxemburg, p. 7, United Kingdom, p. 7. Though it was not mentioned by the reports for the Czech Republic, Hungary, Italy and Sweden the same may be assumed.

¹⁰⁶ Switzerland, p. 6 f.

¹⁰⁷ Switzerland, p. 6 f.

¹⁰⁸ China, p. 5.

¹⁰⁹ Austria, p. 17 ff., Sweden, p. 10.

¹¹⁰ Belgium, p. 21, Czech Republic, p. 8, France, p. 23 ff., Germany, p. 10, Hungary, p. 13, Italy, p. 13 f., Sweden, p. 10, Switzerland, p. 7.

¹¹¹ Austria, p. 19 f., Belgium, p. 21 ff., Czech Republic, p. 8, France, p. 26 ff., Germany, p. 10, Hungary, p. 13, Italy, p. 14, Luxemburg, p. 7, Sweden p. 10. The silence in the UK report probably does not mean that the legal situation is different.

¹¹² Brazil, p. 8. China, p. 5, also tends to permit such comparisons.

¹¹³ Austria, p. 20.

¹¹⁴ Belgium, p. 23.

¹¹⁵ Brazil, p. 8, China, p. 5, Hungary, p. 13, Sweden, p. 11.

¹¹⁶ Czech Republic, p. 8 f.

¹¹⁷ Germany, p. 11.

personality¹¹⁸, creative work not suitable for mass production¹¹⁹, or individual character¹²⁰. Many reports recur to the general principles of copyright protection. Yet, one might wonder whether – as the Japanese reports indicates with regard to products of mass production¹²¹ – a different standard should be applied to works of applied arts in general and use as identifier in particular¹²². In seven jurisdictions an overlap with the provisions relating to comparative advertising is considered possible¹²³, in six others it was denied¹²⁴.

In three of the jurisdictions, in which an overlap is considered possible, the rules on comparative advertising prevail¹²⁵, two stress the infringement of the copyright¹²⁶.

d) *Differences in Sanctions*

It was mentioned that within the EU the sanctions are only partly harmonized with regard to IP right enforcement¹²⁷. Apart from that, even directives fully harmonizing comparative advertising or trade marks, leave the Member States a wide margin of discretion with regard to the enforcement system (see supra), sanctions and remedies or procedure. A question on differences within the national systems between the comparative advertising and the IP rights regimes relating to such issues yielded a number of jurisdictions, in which the enforcement system matters: Different possibilities to calculate damages was named twice¹²⁸, different *locus standi* was named once¹²⁹, different enforcement structures (public/private law) were named twice¹³⁰, different sanctions three times¹³¹.

e) *Self-Regulation*

The picture would not be complete without including the self-imposed rules of the industry. Thus it was asked whether codes of good conduct on comparative advertising existed. In that regard the reports ended in harmony: All jurisdictions confirmed the existence of such rules, be it for particular professions, be it on the level of marketing agencies or bodies marketing advertising space¹³².

¹¹⁸ Luxemburg, p. 7.

¹¹⁹ Japan, p. 5 f.

¹²⁰ Hungary, p. 13, Switzerland, p. 8.

¹²¹ Japan, p. 7.

¹²² E.g. for Germany cf. infra Fn. 160.

¹²³ Austria, p. 21, Belgium, p. 23, France, p. 31, Hungary, p. 14, Italy, p. 15, Luxemburg, p. 8, Sweden, p. 11.

¹²⁴ Brazil, p. 9, China, p. 5, Germany, p. 11, Japan, p. 6, United Kingdom, p. 8. The issue is debated in the Czech Republic, p. 8 f.

¹²⁵ Belgium, p. 23, Italy, p. 15, Luxemburg, p. 23.

¹²⁶ Austria, p. 21, Hungary, p. 14.

¹²⁷ Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights, [2004] OJ 147/45.

¹²⁸ Austria, p. 21 f., Czech Republic, p. 9.

¹²⁹ Germany, p. 12.

¹³⁰ Italy, p. 16, United Kingdom, p. 8.

¹³¹ Germany, p. 12, France, p. 31 ff., Luxemburg, p. 8.

¹³² Austria, p. 22 f., Brazil, p. 9, Belgium, p. 25, China, p. 6, Czech Republic, p. 9, France, p. 34, Germany, p. 12 f., Hungary, p. 17 ff., Italy, p. 17, Japan, p. 6, United Kingdom, p. 8, Luxemburg, p. 8, Sweden, p. 11, Switzerland, p. 10.

3. *Assessment questions*

In addition to the questions directed at getting a picture of the status quo there were a number of questions aiming at the perception of professionals with regard to the adequacy of the provisions from a policy perspective.

Thus it was asked whether the reporters considered it necessary to establish express rules relating to the requirements for the use of another owner's IP rights in comparative advertising, and if so, under which circumstances the use of another owner's IP right should be allowed in comparative advertising. Furthermore it was asked towards which direction it would be desirable to make the national laws evolve. And finally it was asked whether it seemed desirable to establish or further develop codes of conduct on this subject.

While the descriptive questions yielded a very colourful picture of quite different regulatory approaches with regard to the scope of IP rights, the scope of the rules on comparative advertising and their relation to each other, the answers to the assessment questions were remarkably uniform in that most reporters uttered their satisfaction with the current systems. "All in all, it's not that bad, and we shouldn't move either way!" seemed to be the standard answer¹³³. This is even more surprising as the reports revealed an enormous amount of uncertainty in almost every respect, be it the scope of application of Trade Mark Law, of the provisions on comparative advertising or their relation. Yet, a further development of business-specific codes of conduct was mostly welcomed.¹³⁴

III. Results of the Comparison and Conclusions

A simplistic interpretation of the results of the national reports might lead to a somewhat frustrating result: In particular with regard to the treatment of the difficult cases the national legal frameworks vary widely. This concerns not only the key provisions of comparative advertising, but likewise involves the basics of various IP rights. Thus the situation might be compared to an attempt of synchronizing a group of jugglers juggling different numbers of different objects in different patterns. What's more: As all of them seem to be merrily juggling along, why would we disturb them, knowing that every intervention most likely would make them drop their balls?

Yet, there are good reasons not to take such a frustrated position. First and foremost, the LIDC has not treated the same topic several times for no other reason but the beauty of a harmonized system. To the contrary, we are still confronted with the very same questions because it is the real world that keeps asking them, and we cannot refuse to answer. The continuous flow of court decisions delivers ample proof of this fact.

Secondly, we find that, maybe unlike in other fields of Private Law, the immanent purposes of IP rights and rules governing comparative advertising are fairly universal – at least among the group of LIDC members – and governed by the same economic interests or individual rights at stake. This should not mean that these interests had to be balanced in the

¹³³ Brazil, p. 9, Belgium, p. 26, France, p. 35 f., Germany, p. 13 f., Italy, p. 17, Japan, p. 7, United Kingdom, p. 9, Switzerland, p. 11. However China, p. 7, would like to liberalize the identifying use of trade marks in comparative advertisement.

¹³⁴ Brazil, p. 9, China, p. 7, Czech Republic, p. 10, Hungary, p. 19 f., Japan, p. 7, Luxemburg, p. 9, Sweden, p. 12, Switzerland, p. 12.

same way everywhere – quite the contrary is true: Different jurisdictions have developed different views on the dignity of protection of competition versus individual rights, of privacy versus freedom of speech or of the protection of investments versus unfettered market entry. There is no need to level out these deeply political and cultural differences with regard to the assignment of values. Yet, it might be helpful to harmonize the procedures and methods of protecting those interests and co-ordinating their protection. That is why we'll try to elaborate on these immanent purposes and conceive a model of scopes of application and correlation:

1. *Comparative Advertising*

a) *Provisions on comparative advertising as elements of substantive Competition Law*

Despite different conceptual starting points basically all jurisdictions represented in the comparison accept that rules on comparative advertising go beyond consumer protection on one hand and the protection of competitors on the other. They are the heart of the protection of competition itself, and, like other rules of Competition Law, they require a balancing of pro-competitive effects and the anti-competitive effects caused by a distortion of competition¹³⁵.

Pro-competitive effects are the strengthening of competition brought about by the higher public attention to comparative advertising and the improved information of the addressees. Anti-competitive effects are the inherent risk of deception or confusion, the exclusionary effect of any disparagement, and the free ride on a third party's reputation. There may also be a secondary negative effect on competition, if market failure possibly leading to a "market of lemons"¹³⁶ cannot be avoided by effective "signalling" of product qualities by market participants. Since trade marks may qualify as such signals, it might constitute a counter-incentive to invest into the repute of a trade mark, if the communicative value of this identifier could be diluted or exploited.

b) *Scope of application of comparative advertising and conditions of lawfulness*

Beginning from scratch with a clean sheet of paper one might design a Competition Code encompassing not only market power related fact patterns (Competition Law in a narrow meaning), but also fact patterns related to deception, individual exclusion, exploitation or dilution of business reputation. In fact most jurisdictions have developed a good deal of such abstraction in enacting Competition Laws prohibiting cartels or the abuse of a dominant position, or laying down prohibitions of misleading advertising. However, with regard to exclusion, exploitation or dilution this is not the case¹³⁷. We find aspects of such fact patterns as well in IP Law as in a number of fact patterns of Unfair Competition Law such as

¹³⁵ E.g. Rec. 6, 9 Directive on Misleading Advertising.

¹³⁶ *Akerlof*, The Market for 'Lemons'. Quality Uncertainty and the Market Mechanism, 84 [1970] *Quart. J. Econ.* 488.

¹³⁷ *Wadlow*, The Case for Reclaiming European Unfair Competition Law from Europe's Consumer Lawyers, in: *The Regulation of Unfair Commercial Practices under EC Directive 2005/29—New Rules and New Techniques*. Weatherill and Bernitz (Eds.). 2007. p. 177, 184 ff.; for an overview on a more general level cf. *Ohly*, The Freedom of Imitation and its Limits - A European Perspective, 29 [2008-09] *Actas de Derecho Industrial y Derecho de Autor*, 353, also published in *IIC* 2010, 506 ff.

comparative advertising, slavish imitation, passing-off, *appropriation*, and others. These fact patterns are sometimes hard to distinguish. Yet, it is helpful to be conscious about their common roots to avoid that the decision on the applicable test leads to an unlike treatment of like matters.

At least in Europe we do not begin from scratch and it is more unlikely than probably anywhere else in the world that the European legislator reads the LIDC's conclusions and redesigns the regulatory framework of IP Law and comparative advertising accordingly. At this point some remarks from an institutional perspective are warranted. Most obviously, on the basis of Art. 2 let. c of the Directive on Misleading Advertising the ECJ has always stressed that

“such advertising falls to be treated as comparative where, explicitly or by implication, it identifies a competitor or goods or services offered by a competitor. Those particularly broad definitions mean that the forms which comparative advertising may take are very varied ...”¹³⁸

These statements should probably not be taken as entirely innocent, even though they may appear as a simple interpretation of the open-textured wording of an act of EU secondary legislation. They probably have to be read against the backdrop that comparative advertising is object of full harmonization within the EU while other forms of commercial practices in B2B relations are not yet harmonized at all¹³⁹.

Now one question might be, whether this type of activist decision making, extending the scope of application of harmonizing acts of Union Law, is in line with the principle of conferral of powers, now enshrined in Arts. 3 para. 6, 4 para. 1, 5 para. 1 TEU and Art. 7 TFEU. Since this is not a conference on EU Law I would like to address only the second question on why such an extension would be negative in substance. Leaving the institutional framework issues within the EU aside we can discuss on a policy level whether such a broad interpretation of the concept of comparative advertising is appropriate.

At this point the assumption is made that such an extension is uncritical in substance, because all of the interests possibly negatively affected are mirrored by the requirements of lawful comparative advertising set out in Art. 4 let. a – h of the Directive on Misleading Advertising – or for that purpose Art. 3 let. e of the Swiss Act against Unfair Competition:

(1) Distortion of competition by risks of confusion or deception

The risk of a distortion of competition as a result of a tendency to deceive the addressees is considered by the prohibition of misleading advertising (Art. 4 let. a Directive on Misleading Advertising, Art. 5, 6, 7 Directive on Unfair Commercial Practices). Of course, it is necessary to distinguish a particular risk of deception from the general risk of deception inherent in any comparative advertising.

¹³⁸ ECJ Case C-112/99 – *Toshiba Europe GmbH v Katun Germany GmbH*, [2001] ECR I-7945, paras. 28, 31; Case C-44/01 – *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer*, [2003] ECR I-3095, para. 35; Case C-381/05 – *De Landtsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115, para. 16; Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 42; ECJ Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 52.

¹³⁹ But cf. the Commission's mandate in Rec. 8 sentence 4 of the UCP Directive.

In close connection there is the prohibition to create a risk of confusion (Art. 4 let. h). While deception and confusion have in common that the allocation of resources may be distorted because of incorrect assumptions taking market participants to ill-founded business decisions, they are distinguished by the object of deception: In the first case it is the feature giving rise to the comparison or a substantive property of the compared goods, in the second the deception specifically relates to the compared product's commercial origin.

(2) Restraint of competition by exclusionary effects

The risk of a restriction of competition as a result of exclusionary effects of tarnishment, in particular caused by disparaging comparisons, is considered by the prohibition of discrediting or denigrating the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor (Art. 4 let. d). Again the negative impact of any otherwise lawful comparison itself has to be distinguished from a specific disparagement.

(3) Distortion of competition by “free riding”

The risk of free riding on another market participant's reputation is considered by the prohibitions to take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products (Art. let. f) and to present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name (Art. 4 let. g).

The “perfume clause” enshrined in let. g has frequently been criticized: While it is clear that imitations or replicas of goods or services infringing another market participant's IP rights must not be advertised either, one might ask why such imitations or replicas, if they are produced and marketed lawfully, should not be advertised for their imitating qualities¹⁴⁰. One explanation might be that the imitation of the external design of products or their packaging may indeed entail a comparative element in that the approximation of design may seem purposeful in the eyes of the addressees and thereby include the statement “as good as” the “original” product. Such blunt assertions of equal qualities usually infringe the requirement set out in Art. 4 let. c to compare verifiable features.

Once more it is but the very same task already performed with regard to deception and exclusion to distinguish the amount of exploitation inherent in any comparison from an exploitation that is not required in order to achieve the pro-competitive effects.

(4) Comparative advertising and the need for a competitive relationship?

The remaining two requirements shed further light on the scope of application: Pursuant to Art. 4 let. b the advertising must compare goods or services meeting the same needs or intended for the same purpose. There is a strange tension between the definition of comparative advertising in Art. 2 let. d, relating to the identification of a “competitor” and the requirement in Art. 4 let. b: The ECJ in its *De Landtsheer* judgment stated that the term

¹⁴⁰ *Ohly*, in: Piper/Ohly/Sosnitza, Gesetz gegen den unlauteren Wettbewerb, 5th ed., 2010, § 6 UWG para. 70.

“competitor” depended “by definition, on the substitutable nature of the goods or services that they offer on the market”¹⁴¹. One is tempted to ask by which definition, because the pertinent directive does not contain any. The Court continued to argue that „precisely for that reason ... (Art. 4 let. b, scil. J.G.) provides, as a condition for permitting comparative advertising, that the goods or services compared must meet the same needs or be intended for the same purpose“ (para. 29). This argument appears circular: If it were true and the requirements of being a competitor and the products meeting the same needs and intended for the same purposes were indeed equal, there could never be an instance of comparative advertising in violation of let. b, as the Court highlights in a later stage of its argument (paras. 43 ff.).

And, indeed, even though using Competition Law wording (“substitutable”) the ECJ does not apply the tests used in Competition Law, in particular for defining markets within Art. 102 TFEU:

„... [F]or the purposes of investigating the possibly dominant position of an undertaking on a given market, the possibilities of competition must be judged in the context of the market comprising the totality of the products which, with respect to their characteristics, are particularly suitable for satisfying constant needs and are only to a limited extent interchangeable with other products.”¹⁴²

Applying this test would probably have limited the scope of application of the Directive on Misleading Advertising. It is well established in EU Competition Law that market participants offering products not directly substitutable will only be considered in the assessment of the market, if they can convert production rapidly without excessive cost¹⁴³. In contrast the ECJ in *De Landtsheer* argued

“that it is necessary to consider not only the present state of the market but also the possibilities for development within the context of free movement of goods at the Community level and the further potential for the substitution of products for one another which may be revealed by intensification of trade (Commission v United Kingdom, paragraph 6).

37. The Court also stated that, for the purpose of measuring the possible degree of substitution, it is impossible to restrict oneself to consumer habits in a Member State or in a given region. Those habits, which are essentially variable in time and space, cannot be considered to be a fixed rule (Commission v United Kingdom, paragraph 14).”

It is hard to get to grips with the underlying logic: The paragraphs extending the competitive relationship requirement clearly speak the language of market integration and their sound seems a repercussion of the ECJ’s traditional fight against the petrification of consumer habits¹⁴⁴. Yet, in the end of the day one cannot but wonder how the *Cour d’Appel* in

¹⁴¹ ECJ Case C-381/05 – *De Landtsheer Emmanuel SA vs Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115, para. 28.

¹⁴² ECJ Case 322/81 – *NV Nederlandsche Banden Industrie Michelin v Commission of the European Communities*, [1983] ECR 3461, para. 37.

¹⁴³ CFI Case T-65/96 – *Kish Glass & Co. Ltd v Commission of the European Communities*, [2000] ECR II-1885, para. 68. In ECJ Case 322/81 – *NV Nederlandsche Banden Industrie Michelin v Commission of the European Communities*, [1983] ECR 3461, para. 41, the ECJ had stated that the fact that time and considerable investment were required in order to modify production plant for the manufacture of light-vehicle tyres instead of heavy-vehicle tyres or vice versa meant that there was no discernible relationship between the two categories of tyre enabling production to be adapted to demand on the market.

¹⁴⁴ Cf. ECJ Case 120/78 – *Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein* (“Cassis de Dijon”), [1979] ECR 649, para. 13; Case 178/84 – *Commission of the European Communities v Federal Republic of Germany*

Brussels is to apply these statements¹⁴⁵. It is hardly imaginable that the different consumer demand for beer and French champagne has anything to do with regional consumer habits that may vary over time. Beer and French champagne are consumed at very different societal occasions – not just in Belgium and France, but basically worldwide – and their different price levels¹⁴⁶ do not make French champagne a particularly good substitute for beer. So it seems an awfully long shot to argue in favour of a competitive relationship. This is even less so in the German case, in which a producer of mineral water claimed his product to be “A Champagne Among Mineral Waters”¹⁴⁷. The economic interest of the producers of French champagne at stake is hardly their loss of business due to the new competition by beer brewers, but rather the loss of distinctive power of their geographical indication¹⁴⁸.

(5) Comparative advertising and the need for objective comparisons?

Finally, there is Art. 4 let. c requiring that the comparative advertising objectively compare one or more material, relevant, verifiable and representative features of those goods and services, which may include price. This requirement may be interpreted in a traditional manner as a prohibition to compare apples and oranges. Quite clearly, it seems, such a traditional approach is not in line with the modern model addressee: If apples and oranges are compared in an obvious manner, addressees do not need protection:

In 1965 Ford Motor Corporation advertised their cars in TV commercials as being quieter in ride than a Rolls-Royce. Assuming the test was conducted appropriately and the results correct, it seems hard to imagine that a potential Rolls-Royce buyer thereby was taken to buy a Ford instead, or a potential Ford buyer was dissuaded to buy a Rolls-Royce.

Indeed, Art. 4 let. c goes further than simply prohibiting to compare apples and oranges: In a political tug-of-war a compromise was found that was building on the positive market effects as described supra: The negative impact on the competitors’ interests was accepted as a sacrifice for improved market transparency. As a consequence, one may conclude, if there is no improved market transparency, there is no need to cut back on protection of individual rights.

Now the big problem is that information based comparative advertising, for the reasons described above, is very rare. If advertising agencies suggest and their clients subscribe to comparative advertising campaigns, it is mostly non-informative comparative advertising, appealing to individual taste, but not to “verifiable features”. A wide scope of comparative advertising leads this sort of comparisons towards the abyss of illegality.

(purity requirement for beer), [1987] ECR 1227, para. 35; Case C-405/98 – *Konsumentombudsmannen (KO) v Gourmet International Products AB (GIP)*, [2001] ECR I-1795, para. 21.

¹⁴⁵ It seems the Cour d’Appel has not yet decided on the merits of the case leading to the preliminary reference ruling.

¹⁴⁶ Even though the „Malheur Brut“ giving rise to the proceedings retails at above €14 a bottle (0.75 l).

¹⁴⁷ Federal Supreme Court (Bundesgerichtshof), 04.06.1987, Case No. I ZR 109/85 – *A Champagne Among Mineral Waters*, IIC 1988, 682.

¹⁴⁸ Under other circumstances – especially for trade marks – one might think of the loss incurred by not being able to license the use of the protected right, but geographical indications can hardly be licensed.

c) *Conclusions for the scope of application*

- Conclusion 1: As a part of the Competition Law regime, provisions on comparative advertising do not stand alone. They are interlocked with other provisions protecting competition, but set up a specific regime. That is why the scope of application always has to be read against the perceived dangers of comparative advertising, as they are mirrored in the conditions of lawfulness.
- Conclusion 2: The conditions of lawfulness as enshrined in Art. 3 let. e Swiss Act Against Unfair Competition or Art. 4 EC Directive on Misleading Advertising may be conceived of as guidelines to Unfair Competition Law in a nutshell: They include that
 - commercial communications, including comparative advertising, must be truthful and not misleading either with regard to the commercial origin of the product or with regard to the compared features;
 - competitors must not be disparaged more than necessary for a pro-competitive purpose;
 - competitors performance in the past must not be exploited more than necessary for pro-competitive imitation competition.
- Conclusion 3: With such universally applicable guidelines it is easy to understand why courts are so ready to apply the rules of comparative advertising even to cases that are no obvious candidates for comparative advertising:
 - product comparisons by media or consumer associations which in fact are not “advertising”, i.e. with the purpose of promoting business;
 - comparative advertising beyond a competitive relationship.

Jurisdictions tend to limit the scope of application of the provisions for comparative advertising, where the typical pros and cons do not apply:

- Superlative advertising: According to natural understanding any “best” contains “better than anyone” and thereby a comparison. Nevertheless it is obvious that for the abstract nature of the comparison any disparagement of competitors or exploitation of their performance is watered down to almost nil. This makes it understandable why many jurisdictions subject such superlative advertising only to the prohibition of misleading advertising.
 - Comparisons with general products of a particular geographical origin: Similarly to superlative advertising the disparagement of competitors or exploitation of their performance is watered down, until competitors are not identifiable at all.
 - Imitation of products that are not well-known: In such cases no good will is exploited nor can a competitor be denigrated. The only exploitation relates to the external design efforts, and it is better handled by design law.
- Conclusion 4: With such universally applicable guidelines it is easy to understand why courts are so ready to apply the rules of comparative advertising even to cases primarily governed by IP Law, if protection through IP rights merely disguises the protection of competition:
 - protection of the repute of trade marks against dilution, tarnishment and exploitation;

- protection of geographical indications.

d) *Conclusions for the requirements of lawfulness*

Our findings with regard to the definition of comparative advertising help us hammer out the requirements of lawfulness. With regard to method it should be pointed out that the question whether competitive conduct is dysfunctional always requires a balancing of pro- and anticompetitive effects as well as individual rights or interests protected by the legal order.

- Conclusion 5: The lawfulness of comparative advertising has to be scrutinized by balancing pro- and anti-competitive effects as well as the subjective rights and protected interests at stake. Consequently, the following fact patterns have to be applied in a flexible manner: Whether comparative advertising is misleading, denigrating or unfairly taking advantage has to be the result of a careful analysis of the market effects of such advertising.

(1) Truthfulness

This is most obvious for the general requirement of truthfulness.

- Conclusion 6: Where a comparative advertisement is based on facts from the perspective of an average addressee, these facts have to be verifiable and true. Since the market participant makes use of this form of competitive conduct, he assumes the responsibility for the asserted facts. In other words: He has to bear the burden of proof with regard to the truthfulness for the underlying facts relating to his own product as well as for the compared product.
- Conclusion 7: Even true facts may mislead an average addressee. In comparative advertising there is an inherent risk that addressees are deceived about the general quality of the compared products. With regard to the positive effects of fact-based comparative advertising on competition, the legal orders should accept that risk to a certain extent. Consequently, it should not be objected, if
 - there is a remaining risk that consumers may infer from the positive result of the featured comparison that the advertised product is generally superior to the compared product;
 - the features compared are intentionally picked or even designed (search for sources of supply and pricing following test purchases¹⁴⁹) in order to provide for a possibly good feature of comparison.

(2) Disparagement

- Conclusion 8: Similarly, the tarnishing effect of any comparative advertising (saying that my product is better than yours always implies that your product is not good as mine) has

¹⁴⁹ Cf. ECJ Case C-44/01 – *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer*, [2003] ECR I-3095, para. 71.

to be accepted as far as such tarnishment is necessary in order to achieve the pro-competitive effects of comparative advertising. Consequently, there should be a requirement of indispensability understood as impropriety, in order not to create a chilling effect on pro-competitive comparative advertising. Where we find informative and fact-based comparative advertising, most notably price comparisons, market participants may go beyond simply naming their competitors, but may also depict their logos, shop-fronts¹⁵⁰ etc. to reinforce their statement. Generally speaking, they are allowed to do what it takes to convey their message effectively from a communication standpoint. Only excesses of tarnishment that cannot be justified by the legitimate goal are caught by this indispensability/impropriety requirement. On the other hand, if comparative advertising is not based on factual grounds and not promoting market transparency, there is no justification to intrude so deeply into the competitor's rights. Yet, a general prohibition of non-fact based comparative advertising seems disproportionate. If the denigrating effect is minimal from an average addressee's perspective, comparative advertising ought to be allowed.

(3) Exploitation

- Conclusion 9: Finally, the same holds true for exploitation: A balance has to be struck between pro-competitive effects of comparative advertising and anti-competitive effects. To do so, it is helpful to distinguish cases, in which the good reputation (“repute”) of a product is exploited, and cases, in which its mere presence in the market's minds is exploited:
 - The exploitation of another market participant's performances inherent in any comparative advertising (telling the market your product is better than a competitor's always relies on the fact that the competitor's product is known to the market) has to be accepted. It is generally pro-competitive to make known to the market that there are substitutes to a competitor's product. There is a public interest in imitation competition within the framework set by IP Law. In the course of this signalling process it is also lawful to make use of the “infrastructure” a competitor has created by his market presence, such as the ubiquity of his products providing a pool of demand for the production of compatible spares or consumables¹⁵¹, the establishment of his system of serial numbers¹⁵² etc. The mere assertion of compatibility is lawful as such, just as any measure facilitating access to compatible substitutes.
 - However, in order to avoid “markets for lemons” it is necessary to give participants on certain markets (esp. for search and credence goods) a possibility to signal the quality of their products by their track record (“repute”). There are good arguments that this signalling ability is lost, once competitors without a similar track record are allowed to advertise by piggy-backing on the market leader's reputation. That is why unspecified

¹⁵⁰ Cf. ECJ Case C-44/01 – *Pippig Augenoptik GmbH & Co. KG v Hartlauer Handelsgesellschaft mbH and Verlassenschaft nach dem verstorbenen Franz Josef Hartlauer*, [2003] ECR I-3095, para. 84.

¹⁵¹ Cf. ECJ Case C-112/99 – *Toshiba Europe GmbH v Katun Germany GmbH*, [2001] ECR I-7945.

¹⁵² ECJ Case C-59/05 – *Siemens AG v VIPA*, [2006] ECR I-2147.

claims of complex qualities (“as good as”) should not be allowed, neither should imitation advertising.¹⁵³

2. Trade Mark Law

A key issue is the relation between Trade Mark Law and the provisions on comparative advertising. Trade marks are the identifiers of choice used to make a competitor identifiable. So, in a way the use of trade marks or other identifiers (names, business designations) is almost inevitable for comparative advertising.

a) Scope

The Scope of Trade Mark Law has greatly expanded since the 1990s. Some jurisdictions have seen a change of quality, promoting Trade Mark Law from a special kind of Competition Law to a true IP Right¹⁵⁴, while probably all have seen a considerable extension of its scope spanning from the protection of the repute of trade marks against dilution, tarnishment and unfair exploitation as a consequence of the use for similar¹⁵⁵ and other than similar products over the protection of business designations to the protection of geographical indications.

b) Overlap

An overlap comes into existence, because the older requirement of “use as a trade mark” cannot be upheld, if a trade mark is to protect against dilution, exploitation or tarnishment. All of these effects may occur by a use other than “as a trade mark”. This has led the ECJ to a watering down of the requirement. The ECJ has already expressly held that the use of a trade mark within comparative advertising can be regarded as use for the advertiser’s own goods and services for the purposes of Art. 5 para. 1 and 2 Trade Mark Directive. Such use may therefore be prevented, where appropriate, by virtue of those provisions¹⁵⁶. In order to compensate for this extension of the scope of application of Trade Mark Law the ECJ has ultimately created¹⁵⁷ the unwritten requirement of the fact pattern in Art. 5 para. 1 Trade Mark

¹⁵³ Cf. ECJ Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 49: „In that regard, where a third party attempts, through the use of a sign similar to a mark with a reputation, to ride on the coat-tails of that mark in order to benefit from its power of attraction, its reputation and its prestige, and to exploit, without paying any financial compensation and without being required to make efforts of his own in that regard, the marketing effort expended by the proprietor of that mark in order to create and maintain the image of that mark, the advantage resulting from such use must be considered to be an advantage that has been unfairly taken of the distinctive character or the repute of that mark.“

¹⁵⁴ E.g. in Germany this was achieved by the Act on the Extension of Industrial Property Rights of April 23, 1992, OJ vol. I, p. 931, and the revised Trade Mark Act of 1994.

¹⁵⁵ E.g. ECJ Case C-292/00 – *Davidoff & Cie SA and Zino Davidoff SA v Gofkid Ltd.*, [2003] ECR I-389, para. 30.

¹⁵⁶ ECJ Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, Holdings and paras. 36, 37; Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 53.

¹⁵⁷ Initially quite unobtrusively, cf. ECJ Case C-48/05 – *Adam Opel AG v Autec AG*, [2007] ECR I-1017, para. 21, then clearer cf. ECJ Case C-533/06 – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 57; Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 60; to the very clear argument in ECJ Joined cases C-236/08 to C-238/08 – *Google France SARL and Google Inc. v*

Directive that the disputed use must affect or be liable to affect the functions of the trade mark¹⁵⁸.

c) *Prevalence*

- Conclusion 10: The provisions on comparative advertising pursue a different goal than the provisions on Trade Mark Law. Consequently, both sets of rules have to be applied. Yet, there are a number of interfaces requiring harmonic interpretation:
 - Lawful comparative advertising: Whether comparative advertising is lawful, has to be examined taking due respect of the value enshrined in the trade mark (see supra Conclusions 8, 9). With regard to Trade Mark Law it is appropriate to distinguish the fact patterns: Only for Art. 5 para. 1 let. a Trade Mark Directive (use of identical trade marks for identical products) it is appropriate to limit the prohibition based on a negative effect on the trade mark's function to guarantee to consumers the origin of the goods or services. With regard to Art. 5 para. 2 Trade Mark Directive (protection of the repute of a trade mark), however, it is unnecessary to apply such an unwritten requirement that the use must be liable to affect the functions of the trade mark, because comparative advertising is lawful only, if it neither uses the competitor's sign „without due cause“ nor takes „unfair advantage of the distinctive character or the repute of the trade mark“.
 - Unlawful comparative advertising giving rise to a risk of confusion: In this case both Trade Mark Law and the provisions on comparative advertising apply. With regard to the different functions both sets of sanctions are available for the trade mark owner. If public interests, notably consumer interests, are at stake, consumer associations may proceed based on the provisions on comparative advertising.
 - Unlawful comparative advertising not giving rise to a risk of confusion: Again, with regard to Art. 5 para. 1 let. a Trade Mark Directive (identical trade marks for identical products) it is necessary to limit the prohibition based on a negative effect on the trade mark's function to guarantee to consumers the origin of the goods or services. Yet, there may be a negative effect on another function of the trade mark. This, however, should only be critical in the case of the protection of the repute of a trade mark under Art. 5 para. 2 Trade Mark Directive.

Louis Vuitton Malletier SA (C-236/08), Google France SARL v Viaticum SA and Luteciel SARL (C-237/08) and Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others (C-238/08), not yet reported, paras. 75 ff.

¹⁵⁸ ECJ – *O2 Holdings Limited and O2 (UK) Limited v Hutchison 3G UK Limited*, [2008] ECR I-4231, para. 57, relating to the „essential function ... 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, while ECJ Case C-487/07 – *L'Oréal SA, Lancôme parfums et beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd.*, [2009] ECR I-5185, para. 63, relates to „one of the functions of those marks, such as, in particular, their functions of communication, investment or advertising“. The latter extension was confirmed in ECJ Joined cases C-236/08 to C-238/08 – *Google France SARL and Google Inc. v Louis Vuitton Malletier SA (C-236/08), Google France SARL v Viaticum SA and Luteciel SARL (C-237/08) and Google France SARL v Centre national de recherche en relations humaines (CNRRH) SARL and Others (C-238/08), not yet reported, para. 77.*

3. *Design Law*

a) *Scope*

Design Law protects original design, thus the specific commercial performance of designing.

b) *Overlap*

There may be an overlap, either where product imitation is also covered by the provisions on comparative advertising, or where comparative advertising compares by depicting the protected design.

c) *Prevalence*

- Conclusion 11: The provisions on comparative advertising pursue a different goal than the provisions on Design Law. Consequently, both sets of rules have to be applied.
 - If the imitation of a protected design is used to indicate to the opposite market side a similar quality as the one of the copied product (“supermarket look-alikes”), it may be an anti-competitive form of imitation marketing. There may be cases in which it may be beneficial for consumers to get a “quick and dirty” information about the features and qualities of a particular product at a glance, but usually there will be less restrictive means of communicating this, thus rendering the comparative advertising unlawful.
 - If a protected design is used only to depict a competitor’s product, the function of Design Law is not at stake, because the protected design is not used for other products. A solution ought to be found within Design Law.

4. *Protection of Geographical Indications and Designations of Origin*

The relationship between the protection of geographical indications and comparative advertising is problematic for several reasons: Firstly, if the comparison relates only to the geographic origin of products, there may be no competitors identifiable at the outset. In such cases it is adequate not to apply the provisions on comparative advertising at all. Regularly, however, producers make use of geographical indications with regard to their products and no later than that they will be identifiable.

Secondly, the purpose of protecting geographical indications and origins goes far beyond the protection of legitimate expectations of consumers and of competition, and, what is more, has made it into the provisions governing comparative advertising in the EU:

a) *Scope*

“Geographical indications” means the name of a region, a specific place or, in exceptional cases, a country, used to describe an agricultural product or a foodstuff

originating in that region, specific place or country, and which possesses a specific quality, reputation or other characteristics attributable to that geographical origin, and the production and/or processing and/or preparation of which take place in the defined geographical area.

A “designation of origin” contains the same requirement, except for the “attributability criterion being replaced by the requirement that the quality or characteristics of the product be essentially or exclusively due to a particular geographical environment with its inherent natural and human factors.

Within the EU the use of geographic indications and designations of origins is not only protected against any practice liable to mislead the consumer as to the true origin of the product, cf. Art. 13 para. 1 let. d Reg. No. 510/2006, but also against any direct or indirect commercial use of a registered name in respect of products not covered by the registration in so far as those products are comparable to the products registered under that name or in so far as using the name exploits the reputation of the protected name, further any misuse, imitation or evocation, even if the true origin of the product is indicated or if the protected name is translated or accompanied by an expression such as "style", "type", "method", "as produced in", "imitation" or similar, Art. 13 para. 1 let. a, b Reg. No. 510/2006. One might wonder whether a use of a protected name might be a “use in respect of products”, but the Directive on Misleading Advertising seems to make it all too clear that for designations of origin any comparison may only be made within products of the same origin.

Yet, the ECJ has helped competition against the unholy alliance of wine and cheese makers and by means of systemic interpretation held that for products without designation of origin, any comparison which relates to products with designation of origin is not impermissible¹⁵⁹.

b) Overlap

So, an overlap may occur either by directly comparing products with or without geographic indications or designations of origin, or by indicating the similarity.

c) Prevalence

- Conclusion 12: The provisions on comparative advertising pursue a different goal than the provisions on geographic indications and designations of origin. Consequently, both sets of rules have to be applied.
 - The provisions on comparative advertising should take into account the reputation of geographic origins and the public interest in setting a positive incentive for maintaining a high quality standard.
 - That said, direct comparisons of products with or without protected designations of origin are not putting at risk this incentive.
 - Imitation marketing, however, is putting at risk investment into quality. That is why provisions such as Art. 4 let. f, g Directive on Misleading Advertising can be justified.

¹⁵⁹ ECJ Case C-381/05 – *De Landtsheer Emmanuel SA v Comité Interprofessionnel du Vin de Champagne & Veuve Clicquot Ponsardin SA*, [2007] ECR I-3115, paras. 57 ff., 72.

- The independent application of the rules protecting geographic indications or designations of origin follows the same lines: A direct comparison of one's own product with a competitor's products protected by a designation of origin is no "use for products", while the use of a protected designation of origin to specify the quality of the own product can be considered such "use for product".

5. *Copyright Law*

a) *Scope*

Copyright protects the creative work as an expression of human personality.

b) *Overlap*

There may be an overlap when either the comparative advertising resorts to the use of an identifier protected by a copyright or when the comparative advertising is seen in the imitation of a product protected by a copyright.

c) *Prevalence*

- Conclusion 13: The provisions on comparative advertising pursue a different goal than the provisions on Design Law. Consequently, both sets of rules have to be applied.
 - If the imitation of a copyrighted design is used to indicate to the opposite market side a similar quality as the one of the copied product, there will usually be an anti-competitive form of imitation marketing.
 - If a protected design is used only to depict a competitor's product, the function of Copyright Law is not at stake. The problem should be solved within Copyright Law, by limiting the exclusionary right similarly as in the case of applied arts¹⁶⁰.

IV. *Summary*

- Many of the problems of overlap are owed to an over-reaching protection of IP rights. This holds true for copyright protection, if the use of a piece of copyrighted work as an identifier is granted full copyright protection, and in particular for the anti-competitive protection of geographical indications. They should be addressed within the framework of IP Law.
- The situation in Trade Mark Law deserves particular attention: The extension vis-à-vis the protection of the repute of trade marks against dilution, tarnishment and undue exploitation requires to abandon the "use as a trade mark" requirement, yet an appropriate substitute for this requirement has not been found. The "affect the functions

¹⁶⁰ E.g. in Germany, A. Nordemann, in: Fromm/Nordemann, Urheberrecht, 10th ed., 2008, § 2 UrhG paras. 146 ff.

of the trade mark” requirement developed by the ECJ is not adequate from a methodical point of view.

- Some problems, however, are located at the core of the law on comparative advertising. We found that the perceivable extension of the scope of application of the pertinent provisions is uncritical from the perspective of substantive law, because the key criteria for lawful comparative advertising follow general principles of Competition Law. That is why the competitive relationship requirement ought to be abandoned.
- The requirements for lawful comparative advertising within the European Directive on Misleading Advertising need some adjustment: The limitation of lawful comparative advertisements to objective comparisons of verifiable facts seems over-restrictive. The same holds true with regard to the prohibition of comparing products not meeting the same needs or not intended for the same purposes and the prohibition of comparing to products with a designation of origin. On the other hand the inherent value of IP rights advocates a principle of indispensability understood as a phenotype of the proportionality principle when made use of within comparative advertisements.
- So in that sense, it can finally be concluded that the use of other owners’ IP rights does influence the lawfulness of comparative advertising. Yet, with regard to the question asked by the title of this examination we need a lot more experience in the application of the principle of proportionality underlying the indispensability requirement.

B. Annex: National reports

Austria	Rainer Schultes/Max W. Wosing
Belgium	Hakim Haouideg/Stijn Debaene
Brazil	Maitê Cecilia Fabbri Moro
China	Yunze Lian
Czech Republic	Petr Hajn
France	Celine Cohen/Sébastien Calmont/Linda Sadi/Aurélia Marie
Germany	Olaf Sosnitza
Hungary	Gusztáv Bacher/Vilmos Bacher/Bence Bozóki/Tamás Ersek/Márton Hidvégi/Szófia Lendvai/Adám Liber/Péter Lukácsi/Katalin Szamosi/Katinka Tölgyes/Adrienn Trinn/Alexander Vida
Italy	Anna Gardini
Japan	Harumi Kojo/Izumi Hayashi
Luxemburg	Nicolas et Marianne Decker
Nordic group	Cecilia Torelm
Switzerland	Daniel Kraus
United Kingdom	Simon Maynicz