

Comparative Advertising, Product Disparagement vis-a-vis Trademark Infringement

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Abstract

Advertising plays a major role in influencing consumer's choice. With the growing reach of media and Internet, today's consumer is well conversant about latest product innovations, features of new products and is keen to explore available choices of goods in the market. With numerous multinational players trying to woo consumers the manufacturers are now aggressively using comparative advertising as a tool to showcase features of their new products to establish that their product is comparatively better than the product of the competitor.

Introduction

I am one who believes that one of the greatest dangers of advertising is not that of misleading people, but that of boring them to death.

-Leo Burnett

The aim of this paper is to consider the practice of comparative advertisement, the assumption that it benefits the consumer and the risk for the brand owner, or rather the comparison brand, i.e the brand with which the comparison is made. New or unknown brands benefit most from comparative advertising¹ because of the potential for transfer of the intangible

values associated with the comparison brands with or to the new brand.

Prior to 1994, comparative advertising was relatively uncommon in the UK. This was partly due to the fact that such campaigns were fraught with legal difficulties since a reference to a competitor's trademark brought with it the risk of an action for trademark infringement (if the mark was registered), malicious falsehood and/or passing off. Although there were ways around the problem, for example by referring to a company's full corporate name instead of its trademark,² that were cumbersome and unpopular.³

Since the implementation of the Trade Marks Act 1994 (TMA) in the UK which permits the use of a third party's registered trademark subject to certain conditions, comparative advertising has become more widespread, particularly in fiercely competitive markets, such as the mobile telephone market and indeed the telecom industry generally. However, comparative advertising may lead to infringement of the trademark of the compared product, passing off, copyright infringement.⁴

Although there are no laws in India relating to comparative advertising as

¹ Bary, 'Twenty Years of comparative advertising in the United States', (1993) 12 International Journal of Advertising.

² *Ibid.*

³ Rodney D. Ryder, Brands, trademarks, and advertising 324 (LexisNexis Butterworths India, New Delhi, 2003).

⁴ *Ibid.*

such, yet the High Court of Delhi has ruled that comparative advertisements are allowed under Indian law. Some of the principles that have been evolved from the various case laws are as follows:⁵

- (i) the statements made should be accurate;
- (ii) the statements made should not be false;
- (iii) it should avoid negative references;
- (iv) it should not be defamatory or libelous.

Comparative advertisement

Comparative Advertisement is the concept which helps in comparing the advertisements of the goods and services of one seller from another which mostly focuses upon the price, quality, value, durability. The advertisers employ this technique to increase their visibility in the market and to generate higher profits and better sales. Prevalence of competition in the market has come to be realized as a means to provide better place to the consumer in the seller's market.⁶ This has brought into practice the concept of competitive advertising. In this process most of the tradesmen in their advertisement instead of representing the facts supporting their promotion of their own brand represent the lacunae of the brands of their rival trade practitioners directly or indirectly (innuendo). Sometimes this benefit the consumers, but at other times he gets confused in making

purchases and aptly moves for the purchase of a new, better claimed cheap for trial. Under this sub-clause the aforesaid practice is unfair trade practice as it also confuses the market, hence, unfair to the market.⁷ The disparaging statements may be patent or subtle play of semantics i.e. an innuendo. Whether there is any disparagement or not would depend upon facts and circumstances of each case.⁸

The meaning of the term 'comparative advertising' may at first appear self evident, but for reasons that will become clear later, it is important to specify what is meant by the term in the context of this discussion.

A survey of advertisements reveals that there are three categories into which all advertisements fall:⁹

⁷ Sec. 2(1)(r)(1)(x): The practice of making any statement, whether orally or in writing or by visible representation which, gives false or misleading facts disparaging the goods, services or trade of another person. Explanation.-For the purposes of clause (1), a statement that is-

- a) expressed on an article offered or displayed for sale, or on its wrapper or container; or
- b) expressed on anything attached to, inserted in, or accompanying, an article offered or displayed for sale, or on anything on which the article is mounted for display or sale; or
- c) contained in or on anything that is sold, sent, delivered, transmitted or in any other manner whatsoever made available to a member of the public, shall be deemed to be a statement made to the public by, and only by, the person who had caused the statement to be so expressed, made or contained.

⁸ Semila Fernandes, "Comparative Advertisement And It's Relation To Trademark Violation – An Analysis Of The Indian Statute" 2 JBM&SSR 6 (June 2013).

⁹ A recent content analysis of television advertisements in America found that about 6 per cent contained *indirect* comparative claims, 20 per

⁵ *Ibid.*

⁶ Uphar Shukla, "Comparative Advertising and Product Disparagement vis-à-vis Trademark Law" 11 MJIPR 409-414 (November 2006).

- (i) Non Comparative Advertisements (NCA)—advertisements that refer to one brand of product and make no reference to competing products either directly or indirectly,
- (ii) Indirectly Comparative Advertisements (ICA)—advertisements that refer only to attributes of one brand of product but that refer indirectly to the attributes of rival or competing products,
- (iii) Directly Comparative Advertisements (DCA)—advertisements that directly compare attributes of one product with attributes of a specifically named or recognisably presented, competing brand.

Although it is common for both ICAs and DCAs to be referred to as comparative advertisements, it is important to distinguish between these different categories as, in some countries, neither ICAs nor DCAs are allowed, whereas in others one or both are permitted. The UK is an example of a European country that allowed both (within limits) whereas Germany is an example of one that allows neither. Accordingly, the well known tag line used in the UK in advertisements for

cent contained direct comparative claims, and 20 per cent contained no comparative claims—Pechmann and Stewart, ‘The Development of a Contingency Model of Comparative Advertising’, Working Paper No 90-108, Marketing Science Institute, Cambridge, MA.

Carlsberg larger-‘Probably the best lager in the world’-is not one that is heard in Germany, where it would lead to the advertisement being regarded as an ICA since it implies that all other lagers are inferior to Carlsberg lager.¹⁰

Once *Cornish, W* said “Comparison lies at the root of modern advertising”¹¹. In *McDonalds v. Burgerking*¹², Whitford J., warned that “advertisements are not to be read as if they are testamentary provision in a will or a clause in some agreement with every word being carefully considered and the words as a whole being compared”. Yet, comparative advertisements have led to a lot of litigation and the case on hand is one.

Disparagement

There is no specific definition of disparagement of goods available in any statute but in the *New International Webster’s Comprehensive Dictionary*,¹³ it implies dishonor or degrading, depreciating or disvaluing of the goods and bringing discredit to the company. In an electronic media, the disparaging concept is shown by the repeated advertisements of various commercials so as to make a lasting impression in the minds of the consumers.

According to Black’s Law Dictionary the word ‘disparage’ means to connect

¹⁰ Rodney D. Ryder, Brands, trademarks, and advertising 326 (LexisNexis Butterworths India, New Delhi, 2003).

¹¹ Cornish, W, “Intellectual Property”(4th Edn., Page 656).

¹² (1986) FSR 45.

¹³ <http://www.legalserviceindia.com/article/I182-Comparative-Advertising-laws.html> (April 2, 2017).

unequally; or to dishonour (something or someone) by comparison; or to unjustly discredit or detract from the reputation of (another's property, product or business); or a false and injurious statement that discredits or detracts from the reputation of another's property, product or business¹⁴.

To disparage another's goods is to make a statement about a competitor's goods which is untrue or misleading in a manner that tends to influence the public not to buy those goods. The guiding principles on the law of disparagement are:

1. An advertisement is commercial speech protected by Article 19(1) (a) of the Constitution.
2. An advertisement must not be false, misleading, unfair or deceptive.
3. There may be some grey areas but these need not be taken as serious representations of fact but only as glorifying one's product.¹⁵

If the advertisement extends beyond the grey area and becomes false, misleading, deceptive or unfair, it cannot be entitled to protection. "It is actionable when the words go beyond a mere puff and constitute untrue statements of fact about a rival's product."¹⁶

Comparative Advertisement and Trade Mark

The governing of the concept of Comparative Advertisement takes shape

¹⁴ Garner Bryan, A Black's Law Dictionary, 7th edn (West Group, Minnesota) 1999.

¹⁵ Madhavi Goradia Divan, Facets of Media Law 392-395 (Eastern Book Company, Lucknow, edn. 2nd, 2013).

¹⁶ *Halsbury's Law of England*, Vol. 28 (4th Edn.).

after the cordial association of the MRTP Act 1984 and the TM Act of 1999¹⁷.

1. Section 29 of the TM Act 1999 speaks about the Infringement of registered TM where in, section 29(8)¹⁸ specifically indicates that a registered TM is infringed by any advertising of that TM if the advertising takes unfair benefit and is against the honest practice, if this advertising will be hazardous to the unique character of the TM or is against the reputation of the TM.
2. Section 30(1)¹⁹ also supplements that nothing under section 29 will prevent any advertiser or company using another's TM provided it is used in honest and fair practice in industrial and commercial matters and should not affect the distinctive character of the repute of the TM.

Under the definition of honest practices for comparative advertisement, it implies that Comparative Advertisement focuses on objectively keeping the customer informed about the product, helps in promoting market transparency by lowering prices and improving the goods by stimulating competition in a fair manner. Hence in certain cases so as to protect the interests of such competitors comparative advertisement should not be allowed which otherwise would mislead,

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ *Ibid.*

create confusion or create discredit to a competitor.

Comparative Advertisement and Unfair Trade Practices

Comparative Advertisement has certain limitations with respect to the practice of Unfair Trade Practice. Under the **MRTPA Act of 1984**²⁰, a new chapter on unfair trade practices was amended where in section 36A indicates that any defective or unfair method or practice which depicts false or misleading information of another product will result in disparaging the goods and products of the competitors. This in turn will directly affect the trade of another person.

Any such disparagement of comparative advertisement is reviewed and evaluated based on three parameters viz.

1. Whether the advertisement contains a false statement which could result in influencing and provoking or inducing the consumer to buy or use the goods and products.
2. Whether the advertisement is misleading.
3. Finally the effect of such a depiction on the end users or common man.

As the Delhi High Court held in *Dabur India Ltd. v. Wipro Ltd.*,²¹ “It is one thing to say that the defendant’s product is better than that of the plaintiff and it is

another thing to say that the plaintiff’s product is inferior to that of the defendant”.

In *Dabur India Ltd. v. Colortek Meghalaya (P) Ltd.*²² the Delhi High Court rejected the plaintiff’s case that the defendant had disparaged his product through a commercial telecast. The defendant advertised its mosquito repellent cream where it asserted that its product contained certain ingredients which would reduce the possibility of the repellent causing rashes or allergy on the skin. It was contended by the plaintiff that although there was no direct or overt reference to its product in the impugned advertisement, since the plaintiff enjoyed a huge market share in the same business, the commercial was obviously targeting its product and the suggestion was that the plaintiff’s product causes rashes and allergy. The plaintiff failed to get an injunction since there was nothing to suggest that the commercial referred to the plaintiff’s product overtly or covertly. The defendant was entitled to expound the virtues of its own product but that could not automatically amount to disparagement of a rival product. The court held that since commercial speech is protected under Article 19(1) (a), the advertiser must be given enough room to play around “in the grey areas”. But if an advertisement extends beyond “the grey areas” and becomes a false, misleading or deceptive advertisement, it would not be entitled to the protection of Article 19(1) (a).

In *Pepsi Co. Inc. v. Hindustan*

²⁰ <http://www.legalserviceindia.com/article/1182-Comparative-Advertising-laws.html> (accessed on April 2, 2017).

²¹(2006) 32 PTC 677 (Del.).

²²(2010) 42 PTC 88 (Del).

Coca Cola Ltd.,²³ the Delhi High Court restated the factors to be taken into account in deciding the question of disparagement:

1. *The intent of the advertisement*- this can be understood from its story line and the message sought to be conveyed.
2. *The overall effect of the advertisement*- does it promote the advertiser's product or does it disparage or denigrate a rival product? In this context, it must be kept in mind that while promoting its product, the advertiser may, while comparing it with a rival or competing product, make an unfavourable comparison but that might not necessarily affect the story line and message of the advertised product or have that as its overall effect.
3. *The manner of advertising*- is the comparison by and large truthful, or does it falsely denigrate or disparage a rival product? While truthful disparagement is permissible, untruthful disparagement is not permissible.

In *Reckitt & Colman of India Ltd. v. M.P. Ramchandran*²⁴ the Calcutta High Court enunciated five principles on the law of disparagement:

1. A tradesman is entitled to declare his goods to be the best in the world even though the declaration may be untrue.
2. He can also say that his goods are better than his competitor's even though such statement is untrue.

3. For the purpose of proclaiming that his goods are the best in the world or better than that of his competitors, he can even compare the advantages of his goods over the goods of others.
4. He cannot, however, while claiming that his goods are better than those of his competitor's say that his competitor's goods are bad. If he says so, he is guilty of slander of his competitor's goods.
5. If there is slander of the goods of competitors, an action for defamation lies, in which case, the court is also competent to grant an injunction restraining repetition of the defamation.

These five principles were also stated by the Delhi High Court in *Reckitt & Colman of India Ltd. v. Kiwi T.T.K. Ltd.*,²⁵ where the court restrained a disparaging advertisement. A, a bottle of the defendant's shoe polish with the name "Kiwi" written on the wide surface was shown against another liquid polish described as "others" marketed by brand X. While the word "Kiwi" appearing on the defendant's bottle would not drip, the word, "others" written in the other bottle was shown dripping. The other bottle resembled the one used by the plaintiff since it was identifiable by a red blob on its surface.

In *Dabur India Ltd. v. Colgate Palmolive (India) Ltd.*²⁶ the impugned advertisement showed the plaintiff's tooth powder to be abrasive. Finding the advertisement to be disparaging, the

²³(2003) 27 PTC 305 (Del).
²⁴(1999) 19 PTC 741 (Cal).

²⁵(1996) 16 PTC 393 (Del).
²⁶ AIR 2005 Del 102.

Delhi High Court granted an injunction. It was held that the generic disparagement of a rival product without specifically naming or identifying the rival product is also objectionable since clever advertising can adversely impact a rival product, without actually referring to it.

In *Karamchand Appliances (P) Ltd. v. Sri Adhikari Bros.*,²⁷ the Delhi High Court was concerned with the mosquito repellents “All Out” and “Goodnight”. The offending advertisement showed a lady removing the “All Out” plug and replacing it with “Goodnight” with a background voice that claimed that the latter’s turbo vapour chases mosquitoes at double speed. It was held that an advertisement which disparaged a product by describing it as obsolete could not be permitted.

In *Colgate Palmolive (India) Ltd. v. Anchor Health and Beauty Care (P) Ltd.*²⁸ the plaintiff objected to the defendant’s advertisement where the latter claimed that it was the “only” toothpaste to contain all three ingredients namely Calcium, Fluoride and Tricklosan. It also claimed that it was the “first” all-round protection tooth paste. The defendant was directed to remove the words “only” and “first” from its advertisement.

Recently, in *the Hindustan Unilever Limited v. Gujarat Co-Operative Milk Marketing Federation and Others*²⁹, the Bombay High Court has restrained airing of Amul’s

advertisement on ice cream. The issue was two television commercials by Amul suggesting “use real milk amul ice cream and not frozen desserts which has vanaspati”. The advertisement also used the tagline “Amul is real milk, Real ice cream” on the top left corner. The nature of the comparative advertising in this suit was of “generic disparagement/slander of goods” for the product referred as “frozen desserts”. Justice S J Kathawalla, while granting an injunction to applicant, held that the advertising was disparaging the entire category of frozen desserts including applicant’s product. Court further held that, the advertisement is disseminating wrong information and thereby creating confusion amongst the viewers. Though, the defendant contended that the advertisement was in the pretense of educating the public, as viewers/consumer’s need to know that frozen desserts contain vegetable/vanaspati oil. Court noted that advertisement is not fair; as totally different features were compared in the advertisement i.e. milk content of one product is compared with the fat content of the other product. Hon’ble High Court while disposing the interim application reiterated that a fundamental right to free speech cannot be abused to malign, discredit or belittle a rival manufacturer’s product by a negative campaign. Indulging in vicious, false and misleading statements against any competitors are not tenable and cannot be allowed. The court also noted that the ASCI was being used selectively by the plaintiff as it initially filed complaints before the ASCI while subsequently referred to the ASCI as a “kangaroo Court in its pleadings. The

²⁷(2005) 31 PTC I (Del).

²⁸(2009) 40 PTC 653 (Mad).

²⁹ In Notice of Motion (L) No. 690 of 2017 in Suit (L) no. 204 of 2017, Judgment pronounced on 16 June 2017.

suit is pending before the Court.³⁰

Conclusion-

By looking at the nature of the comparisons in question and the effects of some forms of comparative advertising, it is hoped that a limited exaggeration on the part of an advertiser by overly asserting about its product's superiority is acceptable, but denigration, slander or defamation of the competitor's goods is not permitted by law. The usual claim of one's good to be better than that of the other is acceptable but while doing so, one cannot state that the product of other manufacturer and/ or brand is bad the moment the limited exaggeration crosses the bounds by portraying an identifiable competing product in a negative manner, this amounts to denigration of the product of others. The courts have prohibited both direct and indirect denigration of products of competitors.

³⁰ Biplab Kumar Lenin and Arun Babu, "Comparative Advertising and the Consumer-Changing Dynamics" 22 JIPR 113-120 (May 2017).