

COMPARATIVE ADVERTISING AND INTELLECTUAL PROPERTY RIGHTS

(Although this article is written from a UK perspective, the statutory and passing off provisions would apply equally in Hong Kong)

"Comparative Advertising is by its nature calculated (in the sense of likely) to cause pecuniary damage to suppliers of the competing product, if only by reducing the market share of the competing product whilst increasing that of the product which is the subject of comparative advertising. That after all is the purpose of Comparative Advertising". per Jonathan Parker J. in EMACO v. DYSON APPLIANCES [1999] E.T.M.R. 903.

What, then, are the permissible limits imposed by intellectual property law placed on valid comparative advertising and what remedies are available under English law to traders aggrieved by advertising that exceeds those boundaries?

The Causes of Action

On the assumption that an advertisement exceeds the boundaries of valid Comparative Advertising, remedies may be found both at common law in the torts of injurious falsehood and passing off; alternatively the statutory remedy of trade mark infringement under the Trade Marks Act 1994 may be available where the mark against which the comparison is made is a registered trade mark. As will be seen there is also a risk of liability for copyright infringement under the Copyright, Designs and Patents Act 1998. The availability of these remedies and their practical application will be examined later, but first it is necessary to examine the principle that permits Comparative Advertising and the boundaries to that principle.

The Principle: Allow Comparative Advertising

A definition of Comparative Advertising can be found in the Control of Misleading Advertisements Regulations 1988 regulation 2A which states: "For the purposes of these Regulations an advertisement is comparative if in any way, either explicitly or by implication, it identifies a competitor or goods or services offered by a competitor".

At common law, when dealing with cases of alleged passing off or injurious falsehood, the courts have permitted Comparative Advertising unless the attack on the competitors trade mark or goods is a direct and unjustified attack and, in the case of injurious falsehood, motivated by malice. Under statute law, in particular the Trade Marks Acts, the position has altered. Under the 1938 Act, Comparative Advertising against a

competitor's trade mark registered in Part A of the register was treated as "importing a reference" to the registered mark and thereby constituted infringement. The Trade Marks Act 1994 repealed the 1938 Act. As regards section 10(6)¹ of the 1994 Act, Laddie J. stated in *Barclays Bank v. Advanta*² :-

"As a general proposition...the primary objective...is to allow comparative advertising. As long as use of the competitor's mark is "honest", then there is nothing wrong with telling the public of the relative merits of competing goods or services and using registered trade marks to identify them...".

In *Vodafone v. Orange* Jacob J. simply stated "The 1994 Act now positively permits fair comparative advertising..." and went on to observe that "in an increasingly pro-competitive environment there was virtually a moratorium on the enforcement of section 4(1) [of the Trade Marks Act 1938 concerning "importing a reference"] in a number of trades – for instance comparative advertising in the field of motor cars was very common for a number of years before the 1938 Act was repealed"³.

It would be a mistake to regard section 10(6) as being limited in scope to permitting comparative advertising only in the strict sense: Mann J. recently considered the issue of what he termed "subscription switch material" vis-à-vis section 10(6) in *Wolters Kluwer (UK) Ltd v. Reed Elsevier (UK) Ltd*⁴. Online Tutors ("O") provided the claimant with materials for use in preparing on-line accountancy seminars. Following termination of the relationship between the claimant and O, O supplied materials to the respondent for the provision of a rival service provided by LexisNexis. The Respondent, seeking to attract customers from the claimant, advertised that "Subscribers to CCH Seminars Online, the former name of the service⁵, should call [telephone number] and LexisNexis will honour their existing subscription free of charge until its expiry" and that the Respondent had entered into an agreement with O advertising O as "...the company behind the former version of CCH Seminars Online".

Mr. Justice Mann's *in limine* position in the interlocutory hearing was that "...I cannot see why this use of CCH's mark is any more commercially dishonest than proper comparative advertising. It is not seeking to play unfairly on CCH's reputation. It is

¹ This section confirms that there is no infringement (subject to a proviso, (as to which see below) where "...a registered trade mark [is used] by any person for the purpose of identifying goods or services as those of the proprietor or licensee".

² *Barclays Bank Plc v. RBS Advanta* [1996] R.P.C. 307 at page 313

³ *Vodafone Group Plc v. Orange Personal Communications Services Limited* [1997] F.S.R 34 at page 39

⁴ UK Chancery Division 16 September 2005: [2005] EWHC 2053

⁵ The point might here be made that the former name of the service was the *former name belonging to the claimant* who may have wished to retain that name for future use. Possibly, the service might not have been "former" at all once the claimant had obtained new sources of material. Mann J., however, did not see any dishonesty or breach of the terms section 10(6) but accepted that there had been insufficient debate about this point owing to the shortage of court time: see paragraph 19 of the judgment.

offering people, described by reference to those taking its services, an alternative service"⁶. The judge went on to add that there was nothing in the advertising that caused him to consider that the proviso to section 10(6) had been offended (see below). The purpose behind the Respondent's advertising was to show the "provenance" (source in the sense of 'pedigree') of the online material.

The permissive approach to Comparative Advertising adopted as a matter of policy has by the legislature in the UK does not find any foundation in the European Union's Trade Mark Directive⁷ which "approximates" the trade marks laws of EU member states. Indeed some member states of the EU have been hostile to the concept of Comparative Advertising with Germany, in particular, using trade marks in a paternalistic way to protect consumers. For example, Jacob J. in *British Airways v. Ryanair*⁸ remarked that the Unfair Competition law of Germany set too low a standard for determining the issue of trade mark confusion as it protects "even the stupid or careless"⁹. The German attitude to Comparative Advertising is that such advertising is inherently flawed because the party making the advertisement is necessarily biased, having a direct pecuniary interest in the outcome of the advertisement¹⁰.

The Four Potential Boundaries to Lawful Comparative Advertising

- I. Trade Mark Infringement**
- II. Injurious Falsehood**
- III. Passing Off**
- IV. Copyright Infringement**

Each of these potential boundaries will now be discussed in turn.

I. Trade Mark Infringement proceedings under the Trade Marks Act 1994.

As has been noted, the wording of section 10(6) has been interpreted to mean that fair comparative advertising is permitted. Before turning to deal with section 10(6) in detail it may be useful to summarise the effect of the basic infringement provisions contained in section 10 of the 1994 Act.

⁶ see paragraph 17 of the judgment

⁷ 1988 Trade Marks Directive introduced by Community Trade Mark Regulation 40/94

⁸ [2001] F.S.R. 541

⁹ *ibid.* page 552

¹⁰ In order to prevent states such as Germany from stifling the generally permissive attitude to Comparative Advertising, EU Council Directive 84/450/EEC of 10 September 1984 (concerning misleading and comparative advertising) has been amended by the Council Directive 97/55. Originally, Directive 84/450 concerned only misleading advertising; Directive 97/55 added provisions regarding comparative advertising. In the UK, these Directives have been brought into effect by the Control of Misleading Advertisements Regulations 1998 as amended by the Control of Misleading Advertisements (Amendment) Regulations 2000.

<u>Section</u>	<u>Effect</u>	<u>Comments</u>
10(1)	Liability for infringement where:- The Defendant uses the identical sign (trade mark) for the identical goods or services as those registered by the registered proprietor.	This provision basically covers direct counterfeiting of a 'sign' although proof of intention to copy is not necessary to attract liability.
10(2)	The 'sign' used is identical to the registered trade mark and (a) the goods or services are similar to those registered; or (b) the 'sign' is similar to the registered trade mark and the goods or services are identical or similar to those covered in the specification of the registered trade mark.	The plaintiff has to show that the public is likely to be confused by the defendant's activities. (This element is not necessary for section 10(1) infringement since confusion is assumed).
10(3)	The 'sign' used is identical or similar to the registered trade mark but the goods or services are not similar.	This is subject to the proviso that where the use of the trade mark must have a reputation in the United Kingdom and "the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark".

The above three types of infringement are those that most quickly come to mind when asked the question: What constitutes trade mark infringement? A fourth type of infringement occurs where a person uses another's sign outside the ambit of the proviso to section 10(6) of the Trade Marks Act 1994 and it is with this section and section 11(2)(c) that comparative advertising must be considered in determining whether or not it is lawful or whether the comparative advertisement makes infringing use of the sign against which the advertisement is made.

<u>Section</u>	<u>Wording</u>	<u>Proviso</u>
10(6)	Nothing in the previous provisions of this section shall be construed as preventing the use of a registered	"But any such use otherwise than in accordance with honest practices in industrial or

trade mark by any person for the purpose of identifying goods or services as those of the proprietor or licensee commercial matters shall be treated as infringing the registered trade mark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark"¹¹.

- 11(2)(c) A registered trade mark is not infringed by (c) the use of the trade mark where it is necessary to indicate the intended purpose of a product or service (in particular, as accessories or spare parts), The proviso here is: "provided the use is in accordance with honest practices in industrial or commercial matters"

There are two conjunctive limbs to the proviso to section 10(6); firstly, to constitute infringement, the use complained of must be dishonest and then, secondly, the use complained of must not without due cause take unfair advantage of, or be detrimental to, the distinctive character or repute of the trade mark. This gives rise to a rhetorical question – If use is dishonest, how can such dishonest use not take advantage of or be detrimental to the distinctive character of the mark?¹² Surely if advertising is dishonest when judged by the standards of practices in industrial or commercial matters, the second half of the proviso is superfluous.

The converse to the proposition that dishonest use means actionable use is that honest use does not become actionable by reason only that it takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark. This is illustrated by the case of *B.A. v. Ryanair*¹³ which held that mere denigration *per se* (in the absence of 'dishonest' conduct) is not actionable. Not surprisingly, British Airways took exception to an advertisement headed "Expensive BA...DS" which compared the prices and services offered by the respective airline companies. This heading was held not to be a ground for infringement: "You can be offensive about another's trade mark or name without being dishonest. The Bastards headline does just that"¹⁴. Directive 84/850/EEC (as amended) allows comparative advertising if *inter alia* it does not "discredit or denigrate the trade marks, trade names, other distinguishing marks...of a competitor"¹⁵,

¹¹ "The proviso should not be construed in such way as prohibits all comparative advertising" per Laddie J. in *Barclays Bank v. Advanta* [1996] R.P.C. 307 at page 313.

¹² Indeed Mr. Justice Laddie criticises the second half of the proviso in *Barclays Bank v. Advanta* [1996] R.P.C. 307 at page 313 from the words "But any such use...[has a meaning that]...is far from clear".

¹³ [2001] F.S.R. 307

¹⁴ [2001] F.S.R. 541 at page 549 (paragraph 25 of the judgment).

¹⁵ Article 3a (e) of Council Directive 84/450/EEC. One might query whether *Ryanair* was in breach of Regulation 4A (1) of the Control of Misleading Advertisements Regulations S.I. 1998/915 inserted by The Control of Misleading Advertisements (Amendment) Regulations 2000/914 effective as from 23 April

so if the Trade Marks Act 1994 had merely repeated the Directive's provisions the action of Ryanair would have given rise to liability.

Valid Comparative Advertising.

In the context of the Trade Marks Act 1994, the judgments of *Crystal Q.C.*¹⁶ and *Jacob J.*¹⁷ cumulatively set out the principles to be applied:

- (1) The primary objective of section 10(6) of the Trade Marks Act 1994 is to permit comparative advertising.
- (2) As long as the use of the competitor's mark is honest, there is nothing wrong in telling the public of the relative merits of competing goods or services and in using registered marks to identify them.
- (3) The onus is on the registered proprietor to show that the factors indicated in the proviso to section 10(6) exist.
- (4) There will be no trade mark infringement unless the use of the registered mark is not in accordance with honest practices.
- (5) The test is objective: would a reasonable reader be likely to say, upon being given the full facts, that the advertisement is not honest?
- (6) Statutory or agreed industry codes of conduct are not a helpful guide as to whether an advertisement is honest for the purposes of section 10(6). Honesty has to be gauged against what is reasonably to be expected by the relevant public of advertisements for the goods or services in issue. (Codes of conduct could surely never be a helpful guide since to proceed otherwise would effectively enable industries/economic sectors to 'contract out' of the comparative advertising provisions of trade mark law by manufacturing their own binding-within-the-industry standards).
- (7) It should be borne in mind that the general public are used to the ways of advertisers and expect hyperbole.
- (8) The 1994 Act does not impose on the courts an obligation to try and enforce through the back door of trade mark legislation a more puritanical standard than the public would expect from advertising copy.

2000. Under the heading "Comparative Advertisements" Reg. 4A (1) states "A comparative advertisement shall, as far as the comparison is concerned, be permitted only when the following conditions are met –

...

(e) it does not denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor;

...

(g) it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks or a competitor or of the designation of origin of competing products". These provisions do not, however, confer a civil remedy. The Director of Fair Trading enforces the Regulations.

¹⁶ In *B.T. v. AT & T* 18 December 1996

¹⁷ *Cable & Wireless v. B.T.* [1998] F.S.R. 383

- (9) An advertisement which is significantly misleading is not honest for the purposes of section 10(6).
- (10) The advertisement must be considered as a whole.
- (11) As the purpose of the 1994 Act is positively to permit comparative advertising, the court should not hold words in the advertisement to be seriously misleading for interlocutory purposes unless on a fair reading of them in their context and against the background of the advertisement as a whole they can really be said to justify that description.
- (12) A minute textual examination is not something upon which the reasonable reader of an advertisement would embark.
- (13) The courts should not encourage a microscopic approach to the construction of a comparative advertisement on a motion for interlocutory relief.

Generally the cases – whether under the law of trade mark infringement, passing off or injurious falsehood – show that "Advertisements are not to be read as if they were some testamentary disposition in a will"¹⁸. The average consumer is assumed to have a reasonable degree of common sense and discernment although reference will be had to the nature of the advertisement and the goods or services involved. As to the former, the more specific the claim, the more likely it is to be taken seriously; as to the latter, the greater the importance of the product the more attention is likely to be paid to the advertisement. The public will accept much less hyperbole (and obversely treat a claim more seriously) in connection with pharmaceuticals than with household washing powders, for example¹⁹. An illustration of specific claims being actionable can be found in *Aktiebolag Volvo v. Heritage (Leicester) Limited*²⁰, although the case is better described as one of misleading rather than comparative advertising. The defendant car dealer was an erstwhile authorised dealer of Volvo motor cars. After the termination of his dealership agreement, he continued to use the words "independent" and "specialist" in relation to the VOLVO trade mark which gave rise to the implication that he was still connected with the plaintiff company. The defendant was found to be liable for infringement under the provisions of section 10(1) of the Trade Marks Act. Rattee J.²¹, in considering section 11(2), applied an objective test of honesty – would the reasonable motor service provider think that the use complained of was honest or, rather, in accordance with honest practices in that business?

Kerly²² argues that (5) in the list of *Crystal Q.C.* should really be worded: The test is objective: would a reasonable reader be likely to say, upon being given the full facts ascertainable on reasonable enquiry, that the advertisement is not honest? The addition of

¹⁸ *per* Whitford J. in *McDonalds v. Burgerking* [1986] F.S.R. 45 at page 58 (a passing off case)

¹⁹ See *eg.* the statement of Aldous J. in *Ciba-Geigy Plc. v. Parke Davis & Co. Ltd* [1994] F.S.R. 8 at page 21: "I have no doubt that statements such as, "A's flour is as good as B's," or "A's flour can be substituted in all recipes for B's flour" are puffs and not actionable. However, that does not mean that a similar statement would be a puff and not actionable, if made in relation to a pharmaceutical product".

²⁰ [2000] F.S.R. 253

²¹ [2000] F.S.R. at page 258

²² *Law of Trade Marks and Trade Names* 13th Edition paragraph 13-83

the (suggested) words "on reasonable enquiry" is to avoid a position in which the "uninformed fool" is placed in a better position than the "informed reasonable man" as referred to by Aldous J. in *Provident Financial Plc. v. Halifax Building Society*:

"The test of *bona fide* use [by a trader of his own name] as enunciated by the Court of Appeal [in *Baume & Co. Ltd. v. Moore (A.H.) Ltd.*²³] is subjective, namely that whether the defendant honestly thought that no confusion would arise and had no intention of wrongfully divesting business to himself. I have always found it difficult to believe that that was the correct test, because the test leads to the result that the uninformed fool could have a defence under section 8 [of the now repealed Trade Marks Act 1938] whereas the properly informed reasonable man would not"²⁴.

In the *Beame v. Moore* case, Romer LJ dismisses the possibility that there can be "constructive dishonesty" arguing, "The truth is that a man is either honest or dishonest in his motives". In reaching this subjective summary Romer LJ contends "The mere fact in itself that a trader is using his own name which too closely resemble a registered trade name of which he is aware does not prevent the use from being "bona fide", provided that the trader honestly thought that no confusion would arise and if he had no intention of wrongfully diverting business to himself by using the name".²⁵

This objective-subjective dichotomy in determining whether a comparative advertisement is "honest" within the meaning of section 10(6) of the Trade Marks Act 1994 could be overcome by the addition of those four words "ascertainable upon reasonable enquiry" in (5) of Crystal Q.C.'s list set out above. Kerly's view is that, in these circumstances, the issue of "honesty" should be capable of objective testing and, therefore, *contra* Romer LJ, there ought to be a concept 'constructive dishonesty' when dealing with section 10(6) type infringements. This would make the mental element of honesty consistent with the objective test applied in relation to section 10(1) type infringement set out by Rattee J in the VOLVO decision.

The objective nature of the test, *per* (5) of the Crystal Q.C. criteria, was applied by Neuberger J in *MacMillan Magazines Limited v. RCN Publishing Company Limited*. The comparative advertising in a claim for trade mark infringement concerned nursing magazines and in deciding that the comparisons were not obviously false (at the interlocutory stage) the judge stated that "Where advertising is contained in a specialist magazine and addressed to a specialist group of people, namely advertisers, there must be a respectable argument for saying that one should judge the advertisement by the effect it would have on such advertisers and not by the effect it would have on the general

²³ [1958] R.P.C. 226 at page 235

²⁴ [1994] F.S.R. 81 at page 93

²⁵ [1958] R.P.C. at page 235

public"²⁶. Presumably experts are less likely to be swayed by such advertising even if it contains specific assertions.

Recent Infringement Cases

The cases make clear that the courts will treat comparative advertising pragmatically; the public is assumed to have common sense and will look at advertisements 'in the round'. Paragraph (13) of the Jacob J criteria refers to not making microscopic comparisons for the interlocutory purposes, but the same may also be said of hearings for final judgment.

In *Barclays Bank Plc. v. RBS Advanta*²⁷ the statement contained in an advertisement for a mobile telephone asserted that "on average, Orange users save £20 every month" and in making this statement the Defendant referred to 'Barclaycard'. Not surprisingly the court held that the statement would normally be taken at face value. The use of the word "on average" did not mean that each and every consumer would save £20 even if, as the plaintiff contended, the profiles of the users of the services had been tailored to fit the premise underlying the £20 savings claim.

The ultra-competitive telecommunications industry provides further recent case illustrations of the use of comparative advertising and in *Cable & Wireless v. British Telecommunications*²⁸ the defendant issued a circular asserting that "Most customers who are using the best Cable & Wireless indirect price package will make savings by using the best package from B.T.". A leading firm of Chartered Accountants had prepared the statistical information that led to the claim and the court's view was armed with such information, it could not be said that B.T. had been dishonest; other traders might well have reacted in the same way.

Cross-infringement of trade marks was found in *Emaco Ltd. v. Dyson Appliances Ltd.*²⁹ The Defendant published a graph comparing the suction power of their vacuum cleaners with "Electrolux" cleaners. The plaintiffs responded with their own comparative advertisements and Jonathan Parker J. held both sets of advertisements contained "thoroughly misleading" assertions and false misrepresentations. Although the court held there was no malice, the use of each others' trade marks was not in accordance with honest practices in industrial and commercial matters required by the proviso to section 10(6) of the Trade Marks Act 1994. The fact that advertisements and cross-advertisements contain thoroughly misleading material and yet be found not to be made maliciously should act as a caution to reliance on torts whose proof depends on malice. This precept should be remembered in the part that now follows.

II. INJUROUS FALSEHOOD

²⁶ [1998] F.S.R. 9 at page 13; the case also concerned allegations of malicious falsehood (see below).

²⁷ [1996] R.P.C. 307

²⁸ [1998] F.S.R. 383

²⁹ [1999] E.T.M.R. 903; *The Times* 8 February 1999

At first blush it might be thought that this old-established tort has been superseded by infringement actions under the Trade Marks Act 1994 insofar as concern comparisons against registered trade marks. This *in limine* position is supported by dicta in *Cable and Wireless v. B.T.*³⁰ and *B.A. v. Ryanair*³¹ in which Jacob J questioned whether a claim to injurious falsehood added anything that was not available under a claim to trade mark infringement: "It is difficult to imagine a case where, given a valid trade mark registration covering the goods or services concerned, could add anything. Including such a claim was, for instance, wasteful in one of the earlier telephone wars"³². The learned judge added that it appeared to him that the claim for injurious falsehood merely put the plaintiff to the added burden of proving malice and dealing with problems concerning the "one meaning rule"³³ thereby increasing the costs of the proceedings. However, the established cases on the law of injurious falsehood are recognised to contain guiding principles that can be applied in cases of trade mark infringement.

A helpful review of the leading cases concerning the tort of injurious falsehood can be found in the judgment of Walton J. in *De Beers Abrasive Products Limited and others v. International General Electric Co. of New York Ltd.*³⁴ The case itself contains valuable analysis of the vital distinction between merely "puffing" one's own goods and denigrating the goods of a competitor. The former is treated as a valid activity whereas the latter could result in liability for injurious falsehood. The distinction between these two apparently separate poles is not always as clear-cut as one might expect.

The facts of the *De Beers* case were that the defendant applied to strike out the plaintiff's claim for slander of goods (injurious falsehood) in respect of a pamphlet written for the defendant entitled "Tech-data/1". The pamphlet was written in technical terms as if by an expert in the field and it evaluated the performance of a man-made substance designated (T) MBS-70 diamond with *Debdust* natural diamond. Walton J. described *Debdust* in an interesting way:-

"*Debdust* is not, as its name would at first suggest, a talcum powder produced for the benefit of the toilet of nubile girls: it is in fact a natural diamond abrasive...for the purpose of cutting various forms of concrete".³⁵

³⁰ [1998] F.S.R. 383 at 385

³¹ [2001] ETMR 235 paragraphs 9-14

³² The "earlier telephone wars" referred to was *Vodafone Group Plc v. Orange Personal Communications Services Limited* [1997] F.S.R. 34

³³ In defamation proceedings "[T]he judge's function is to delimit the range of meanings of which the words are capable and to rule out any meanings outside that range: the jury's role is to decide what meaning within that permissible range the words actually bear" – see para. 30.4 *Gatley on Libel and Slander* 9th edition.

³⁴ [1975] 1 W.L.R. 972

³⁵ *ibid.* p. 974

The defendant contended that the pamphlet was a mere idle puff and the plaintiff's claim should be struck out accordingly. The judge considered whether the reasonable man would take the claims made in "Tech-data/1" seriously and held, on the facts, that there was potential for liability. (The principle was later summarised by Jacob J. was that the more precise the claim, the more likely it would be to be taken seriously; "the more general or fuzzy [the claim] the less so").³⁶ The problem the defendant in *De Beers* faced was that the claim was dressed up in a technical fashion to which Walton J. in his inimical style commented:-

"It may well [turn out at trial to] be of course that that is all in fact it is [a mere puff]; but if so, then the defendants have only themselves to blame for having dressed up a stupid old moke as a thoroughbred Arabian stallion".³⁷

The earlier cases are worth revisiting as the judicial approach to the mere puff/serious claim dichotomy appears to have been remarkably consistent and the principles may well be applied to cases framed in trade mark infringement as well as injurious falsehood. The basic principle is set out by Lord Watson in *White v. Mellin*:-

"In order to constitute disparagement which is, in the sense of law, injurious, it must be shown that the defendant's representations were made of and concerning the plaintiff's goods; that they were in disparagement of his goods and untrue; and that they have occasioned special damage to the plaintiff. Unless each and all of these three things be established, it must be held that the defendant has acted within his rights and that the plaintiff has not suffered any legal injuria".³⁸

A similar description of the tort of injurious falsehood can be found in the judgement of Glidewell L.J. in *Kaye v. Robertson*³⁹:-

"that the defendant has published about the plaintiff words which are false, that they were published maliciously, and that special damage has followed as the direct and natural result of their publication. As to special damage, the effect of section 3(1) of the Defamation Act 1952 is that it is sufficient if the words published in writing are calculated to cause pecuniary damage to the plaintiff and that the defendant knew when he published the words that they were false or was reckless as to whether they were false or not".

³⁶ *per* Jacob J. in *Vodafone Group Plc. v. Orange Personal Communications Services Ltd.* [1997] F.S.R. 34 at page 39

³⁷ [1975] 1 W.L.R. at page 982

³⁸ [1895] A.C. 154 at page 167; note the importance of the need to prove special damage which, if not pleaded, will lead to the dismissal of the case, as in *Lyne v. Nichols* (1906) 23 TLR 86

³⁹ [1991] F.S.R. 62 at page 67

The facts of *White v. Mellin* were that the defendant sold the plaintiff's food for infants but had affixed to the plaintiff's wrappers a label which asserted that the defendant's competing product was far more nutritious and healthful than any other. The plaintiff did not prove that the statement was untrue or that any special damage had been caused to the plaintiff. The House of Lords, reversing the Court of Appeal, held that no injunction would be granted. For slander of goods (injurious falsehood) the plaintiff had to prove three elements:-

1. That the statement is disparaging of the plaintiff's goods.
2. The statement is false.
3. The statement has caused special damage to the plaintiff.

On the facts of the case the House of Lords held that "the only disparagement consists in vaunting the [purported?] superiority of the defendant's own goods"⁴⁰: in other words, a mere puff. Lord Herschell added "...I cannot help saying that I entertain very grave doubts whether any action could be maintained for an alleged disparagement of another's goods, merely on the allegation that the goods sold by the other party who is alleged to have disparaged his competitor's goods are better either generally or in this or that particular respect than his competitor's are".⁴¹ The case establishes the principle that to extol the virtue of one's own goods does not *per se* denigrate the goods of a competitor even though the implication is nearly always that the advertiser's goods are better than those of anyone else; the competitors might suffer general damage but not actionable special damage as a result of the advertising.

An illustration of the fact that simply extolling the virtue of one's own goods as "genuine" does not *ipso facto* insinuate the goods of another trader are not genuine is to be found in *Hubrick & Sons v. Wilkinson Heywood & Clark Limited*⁴². Lord Lindley MR explained that "The truth is that the defendant's circular when attentively read comes to no more than a statement that the defendant's white zinc is equal to, and, indeed, somewhat better, than the plaintiff's". Lord Lindley's view was that such a statement was not actionable even if untrue and the cause of loss to the plaintiff. The rationale here is that the courts do not want to be involved in examining the factual basis for mere puffery as otherwise "the courts would be constantly engaged in trying the respective merits of the goods of rival traders and the pernicious practice of bringing actions for mere purposes of advertising would be greatly encouraged".⁴³

⁴⁰ [1895] A.C. 154 at page 164

⁴¹ *ibid.* page 164. It does seem to the writer that there is a degree of unfairness in having a comparative notice affixed directly in relation to the product in contrast to a mere (*sic*) comparative advertisement that is rather less physically direct.

⁴² 1898 1 QB 86

⁴³ *ibid.* page 93. Lord Lindley added that a statement even if made maliciously but which was true was not actionable, in effect applying the principle in *Bradford Corporation v. Pickles* [1895] A.C.587 House of Lords (an otherwise lawful act is not made unlawful if actuated by malice).

In modern times the courts have been prepared to step in and prevent the continuance of advertisements that contain palpably false information. Once the issue has been determined in favour of the plaintiff that the defendant's claims are not merely puffs but contain specific information that the reasonable man would take seriously, the question of truth of the statement can be brought within the court's purview. In *Compaq Computers v. Dell Computers*⁴⁴ the defendant had made detailed comparisons between products and systems that were materially different. In advertisements headed "It Doesn't Compute" and "Spot the Flaw in Compaq's Logic Circuit" the comparison stated: "So you'd expect to pay around the same price for both systems. Right? Wrong. Compaq's pricing structure must have a short circuit. As you can see, Dell PCs cost substantially less". Aldous J. held that these facts could not be justified and granted an injunction against the continuance of publishing the advertisements that contained the unjustifiable falsehoods. In *Compaq v. Dell* the problem the court faced was the well known dicta of Oliver J. in *Bestobell Paints v. Bigg*⁴⁵:-

"There is an old and well established principle which is still applied in modern times and which is in no way affected by the recent decision by the House of Lords in *American Cyanamid v. Ethicon*, that no interlocutory injunction will be granted in defamation proceedings, where the defendant announces his intention of justifying, to restrain him from publishing the alleged defamatory statement until its truth or untruth has been determined at trial, except in cases where the statement is obviously untruthful and libellous. That was established towards the end of the last century and has been asserted over and over again".

Aldous J.⁴⁶ in *Compaq v. Dell* took the view that Dell's statements could never be justified and fell within the "obviously untruthful and libellous" proviso in deciding to grant the interlocutory injunction. It is submitted that if this case had fallen for determination under the provisions of section 10(6) of the Trade Marks Act 1994, the decision would have been the same since the claims made by Dell could not be described as "an honest practice" within the meaning of the proviso to that provision. *Apropos* the argument propounded by Dell that the courts should not look behind the wording of what Dell argued was merely advertising rubric, in relation to price wars Owen J has agreed with the general proposition that it is desirable for price wars to be kept out of the courts. However, there are limits and the court "should not flinch from granting interlocutory relief if justified on the facts simply because it represents an escalation of a price war".⁴⁷

⁴⁴ [1992] F.S.R. 93

⁴⁵ [1975] F.S.R. 421 at pages 429-430; at page 431 Oliver J. explains the rule as follows: "When one looks at the later cases one finds that the reason assigned for the rule is that an interlocutory restraint in any case that is not obvious would operate as an unjust fetter on the right of free speech and the defendant's liberty (if he is right) to speak the truth".

⁴⁶ applying the test of Glidewell L.J. in *Kaye v. Robertson* [1991] F.S.R. 62

⁴⁷ *DSG Retail v. Comet* [2002] F.S.R. 899 at page 910

The *dicta* of Oliver J. in *Bestobell Paints v. Bigg* will be applied where the "balance of prejudice" is "pretty even". Those are the words of Neuberger J. in *MacMillan Magazines Limited v. RCN Publishing Company Limited*⁴⁸. The plaintiff published 'Nursing Times' and the defendant published 'Nursing Standard'. In an attempt to boost circulation and advertising revenues, the defendant published a comparative advertisement containing five separate comparisons. On the facts the court held that the comparisons made by the defendant were arguably true or at least they were not obviously false. In the circumstances an interlocutory injunction for malicious falsehood was refused, Neuberger J. averring that the observation of Oliver J. is "...of assistance in a case such as this (even though it does not involve a claim for defamation as such)...[and] the plaintiff and the defendant each have arguable cases and that the balance of injustice is pretty even. In a sense, therefore, I fall back on what is the principle of free speech"⁴⁹.

Further illustrations of the courts' interventions to prevent specific misstatements from being published or continuing to be published on the ground of injurious falsehood can be found in *Alcott v. Millar's Karri and Jarrah Forests Ltd*⁵⁰ and in *Western Counties Manure Co. v. Lawes Chemical Manure Co.*⁵¹ In the *Alcott* case, the defendant was held liable for injurious falsehood in respect of a letter written to a third party to the effect that the plaintiff's wooden road blocks would last only for 18 months. In *Western Counties Manure Co* the plaintiffs were granted a declaration where their goods were disparaged as being inferior to the defendant's goods. The decision in that case was criticised by Lord Herschell in *White v. Mellin* because of the lack of particularity concerning special damage resulting to the plaintiff as a result of the defendant's action.⁵² The final case to be mentioned under the heading of injurious falsehood is *Lyne v. Nichols*⁵³ where liability would have been found in respect of a statement concerning the circulation of a particular newspaper. The circulation was stated as being "twenty to one of any other weekly paper in the district" and that "where others count by the dozen, we count by the hundred". If only the lawyers had pleaded special damage! But for that omission the claim would have succeeded; the claims were held not to be mere puffs but intended to be taken seriously and were, in fact, taken seriously. Walton J. in *De Beers* found all the early cases as being consistent and that *Lyne v. Nichols* was "fully in line" with earlier decisions "when properly understood".⁵⁴ (The defendant had argued in *De Beers v. General Electric* that *Lyne v. Nichols* should have fallen into the "mere puff" category of cases and was accordingly wrongly decided).

III. PASSING OFF

⁴⁸ [1998] F.S.R. 9 at page 15

⁴⁹ *ibid.*

⁵⁰ (1904) 91 L.T. 722

⁵¹ (1874) L.R. 9 Ex. 218

⁵² see (1895) A.C. 154 at page 164

⁵³ (1906) 23 T.L.R. 86

⁵⁴ [1975] 1 W.L.R at page 981

In the context of comparative advertising, the principles expounded are the same vis-à-vis mere puffing on the one hand and words of denigration or improper conduct on the other. Two cases are apposite to illustrate the boundaries of the law when the claim is framed in passing off. On the mere puffing side, *Consorzio del Prosciutto di Parma v. Marks & Spencer* shows the courts unwillingness to act on claims based merely on quality. The premise is obvious: the public can make its own judgment. The plaintiff sold 'Parma' ham which was sliced in front of the customer according to that customer's order. The defendant sold pre-packed 'Parma' ham. Nourse L.J. averred "...here it must be shown that Marks & Spencer's ham has suffered such a deterioration in quality [as a result of being pre-packaged rather than cut before a customer]...that it no longer answers the description Parma Ham. That is certainly a heavy burden to discharge and the evidence at present before the court, including that of Professor Hannan, a biochemist and food scientist who has worked with food since 1947 in government controlled research establishments and in industry, does not suggest that it is one which can be discharged"⁵⁵ On the facts, therefore, the court was holding, effectively, that Marks & Spencer's use of the 'Parma' name was not an act that denigrated the plaintiff's product because there was no difference in class between the qualities of the ham, packed or unpacked.

A contrasting decision is *Ciba-Geigy Plc. v. Parke Davis & Co. Ltd* where Aldous J explains that "...[comparative] advertisements are perfectly proper unless registered trade marks are used. They are not knocking advertisements in that they do not suggest that the plaintiff's product is a bad product; they only seek to suggest that the defendant's product is a good product. Such statements are not actionable at common law".⁵⁶ The decision highlights the need to peruse comparative advertisements in their entirety rather than point to individual features of an advertisement *in vacuo*. Moreover, it is to be assumed that advertisements are read with reasonable care and not glanced at by the "moron in a hurry"⁵⁷.

The facts of the *Ciba-Geigy v. Parke Davis* were that the plaintiff had for several years used a green apple logo as a brand symbol for an anti-inflammatory pharmaceutical product. The defendant placed an advertisement in a pharmaceutical journal depicting a green apple with a chunk taken out with the words "Diclomax Retard takes a chunk out of your NSAID prescribing costs". The advert went on to assert that the defendant's product performed the same function as the plaintiff's drug but with a 25% cost saving. Some doctors who gave affidavit evidence stated that on seeing the apple they initially thought the advertisement referred to the goods of the plaintiff but soon realised that the advertisement was extolling the defendant's product. The plaintiff's evidence therefore, in fact, supported the defendant's contention *ie.* the defendant had not misrepresented their goods as those of the plaintiff. Aldous J. summed up the evidence "...[to] conclude

⁵⁵ [1991] R.P.C. 351

⁵⁶ [1994] F.S.R.8 at pages 22-23; the reference by Aldous J to registered trade marks is outmoded, the comments being made before the Trade Marks Act 1994

⁵⁷ To adopt the words of Foster J. in *Morning Star v. Express Newspapers* [1979] F.S.R. 113 at page 117: a trade mark passing off case.

that the plaintiff has not established...that the defendant's advertisements represent that Diplomax is the plaintiff's product or is a product connected or associated in business with the plaintiff...any reasonable doctor who reads the advertisements will realise that what is being advertised is a Voltarol substitute at a cheaper price. Doctors associate the apple with Voltarol and the plaintiff. Thus persons who only see the apple may believe it is an advertisement for Voltarol, but nobody who looks at the advertisement *with sufficient care* to ascertain what it is representing, would still believe that the product being advertised is Voltarol"⁵⁸. (*emphasis added*).

The defendant's rebuff to the claim for passing off was "...that such a representation was true and was a proper representation to make. It had used the bitten apple as part of that message as a substitute for the name Voltarol which was a registered trade mark of the plaintiff"⁵⁹. Aldous J. agreed in holding that the claim for passing off could not be made out: "There is nothing in the advertisements, when looked at as a whole, which represents that Diplomax is made by the same company as makes Voltarol or that it is a product connected in any way with Voltarol or its makers"⁶⁰.

IV. COPYRIGHT INFRINGEMENT

There is an interesting and perhaps unlawful dichotomy between the law of comparative advertising as it applies to trade marks and as it applies to copyright. In contrast to the permissive approach of trade mark law, copyright legislation has been noted⁶¹ to contain no parallel provision enabling comparative advertising to that of section 10(6) of the Trade Marks Act 1994. In the IPC Magazines case⁶² the 'Sunday Mirror' newspaper included a woman's magazine called 'Personal' and this was given away as a free section to the newspaper. It was held that there was no triable defence to copyright infringement when the mast-heading of the plaintiff's magazine was copied and used in a comparative advertisement with 'Personal' magazine. The defendant argued that copying the mast-heading was to take only an incidental part of the copyright material, but it was held on this point that the mast-heading was an integral part of the defendant's advertising material.

The court referred to EU Directive 84/450 as amended and stated that the objective of the Directive was to legislate against misleading advertising "and unpermitted comparative advertising". It was held that the type of advertising used in IPC Magazines, being copyright material, did not fall within the ambit of Article 3a and the consequential effect did not mean that EU law permitted comparative advertising in relation to copyright material. This decision is now to be doubted in the light of the ECJ's ruling in PIPPIG⁶³.

⁵⁸ [1994] F.S.R. 8 at page 18

⁵⁹ [1994] F.S.R. 8 at page 13

⁶⁰ *ibid.*

⁶¹ by McCombe Q.C. in IPC Magazines Limited v. MGN Limited [1998] F.S.R. 431 at page 435

⁶² [1998] F.S.R. 431

⁶³ Case C-44/01

The ECJ explained that Directive 84/450 at least so far as it relates to comparative advertising is not merely aimed at "approximating" the laws of EU member states, but is a harmonisation Directive:

"44. Directive 84/450 carried out exhaustive harmonisation of the conditions under which comparative advertising in member states might be lawful. Such a harmonisation implies by its nature that the lawfulness of comparative advertising throughout the Community is to be assessed solely in the light of the criteria laid down by the Community legislature. Therefore, stricter national provisions against misleading advertising cannot be applied to comparative advertising as regards the form and content of the comparison".

In reaching this conclusion the view of the ECJ was that if Member states were allowed to set their own standards, this could lead to market distortion. (One should bear in mind particularly the problems that could arise in connection with cross-border advertising or advertising on the Internet if European law vis-à-vis comparative advertising was not harmonised). With regard to copyright generally and the use of logos in particular as a part of making comparisons, the court's ruling is stated clearly in paragraphs 74, 79 and 84 of the judgment. In paragraph 74 the court noted that the 15th Recital of Directive 97/55 states that the use of a trade mark, trade name or logo of a firm, or a picture of a competitor's shop front, does not *per se* breach the exclusive right of the owner. The breach would arise where the terms of fair use set down in the Directive were not satisfied. The position is reiterated and, indeed, stated conclusively in the following paragraphs:

"79. Finally, the Commission observes that merely showing the logo and shop of a competitor does not constitute a discrediting or denigration either, if it is not accompanied by a false or defamatory allegation. Such reproduction [*eg.* of a logo or shop front] might increase the effectiveness and credibility of a comparative advertising campaign".

...

"84. Article 3a(1)(e) of Directive 84/450 does not prevent comparative advertising, in addition to citing the competitor's name, from reproducing its logo and a picture of its shop front, if that advertising complies with the conditions for lawfulness laid down by Community law".

Notwithstanding the ostensibly determinative nature of this dicta, the High Court has confirmed the copyright-trade marks dichotomy in *IPC Media Limited v. Newsgroup Newspapers Limited*⁶⁴ where Hart J. sets out recital 14 of Directive 97/55⁶⁵ and

⁶⁴ [2005] F.S.R. 752

⁶⁵ Recital 14 states "Whereas it may, however, be indispensable, in order to make comparative advertising effective, to identify the goods or services or a competitor, making reference to a trade mark or trade name of which the latter is the proprietor;"

comments "...that even if the leap is made from trade mark law to the law of copyright, there is no requisite indispensability here. The defendant did not need to infringe the claimant's copyright [in its "What's on TV" logo] in order to identify the comparator product. The brief facts of the case were that the claimant published a weekly magazine called "What's on TV" and 'The Sun' Newspaper defendant reproduced in its own "TV Mag" the logo and cover layout of "What's on TV". Apart from that reproduction, the editor of 'The Sun' wrote an article in the form of a letter to readers advertising the virtues of "TV Mag" compared to "What's on TV" and "TV Times".

Hart J. ordered summary judgment although it appears from the report that the dicta in PIPPIG was not mentioned either in argument or in the decision. Moreover, the apparently exclusive reliance on article 14 of Directive 97/55 ignores article 15 of the same Directive which states:

"Whereas 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;" (*emphasis added*).

It can be argued here that the words "or other distinguishing marks" cannot be construed *eiusdem generis* or otherwise have a strictly circumscribed meaning because "trade mark, trade name" is all-encompassing and would make the words "or other distinguishing marks" redundant. The approach *viz.* that those words are not redundant would be concordant with the line of reasoning in PIPPIG.

The defendant in the IPC Media Limited v. Newsgroup Newspapers case sought to argue that 'The Sun's' use of the "What's on TV" material was for the purpose of criticism and review within the meaning of the Copyright, Designs and Patents Act 1988 section 30(1)⁶⁶. Counsel argued that the defence contained in section 30(1) did not have to be criticism or review of the copyright material as such (*i.e.* the "What's on TV" logo) but that section 30(1) could be used to negate infringement when such criticism or review was applied to the work represented by the copyright material. Hart J describes this *quasi*-dissection as "...criticising or reviewing the claimant's product and 'as part of the exercise' had identified that product by reproducing the copyright work".⁶⁷ On this issue, Hart J. averred that he was not going to be "easily persuaded that the kind of criticism in question arguably constitutes criticism "of the [claimant's] work or of another work" within the meaning of [section 30(1)]...[and that all that was]...needed to be done to make the desired criticism of the claimant's product was to identify it. That could readily

⁶⁶ Section 30(1): "Fair dealing of a work for the purpose of criticism or review, of that or another work...does not infringe any copyright in the work provided it is accompanied by a sufficient acknowledgement"

⁶⁷ [2005] F.S.R. at page 758

be done without infringing the defendant's copyright [namely, by not copying their logo or mastheading: using "What's on TV" (words only)].

It is trite law in England that a logo attracts artistic copyright⁶⁸ and it is the writer's view that the decisions in the *IPC Magazines v. MGN Limited* and *IPC Media Limited v. Newsgroup Newspapers* cases cannot stand in the face of the amendments to Directive 84/450 that have been made by Directive 97/55 (unless, of course, the dicta in *PIPPIG* is expressly reversed. This would seem unlikely given current EU trends liberalising comparative advertising). Consequently, the Copyright Designs and Patents Act 1994 should be altered to reflect the EU position and bring other areas of intellectual property law into line with trade mark law.

* * * *

It is clearly right that the laws of the EU should be harmonised in relation to comparative advertising with national courts being left to determine whether a particular advertisement is fair or not. To do otherwise in an age of trans-national advertising and the Internet and the whole ethos of the EU to make trading within its borders, borderless, would be non-sense. The laws of jurisdictions outside the EU are tending to fall into line with the EU position as evinced by the fact that the comparative advertising provisions of the Trade Marks Act 1994 are increasingly being adopted – Hong Kong, Australia and New Zealand having similar provisions. Other commonwealth countries may follow the trend in due course. The trade mark dilution laws of the USA appear to hinder comparative advertising as they, in effect, appear to treat trade marks as commodities in their own right without reference to delineation by their specifications of goods or services. Whilst a global treaty on comparative advertising on the same lines as the Berne Copyright Convention is probably unattainable, increasingly widespread fair use of comparative advertising is beneficial to consumers in raising product standards through awareness and competition.

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⁶⁸ see *OSCAR Trade Mark* [1980] F.S.R. 429; "*KARO STEP*" Trade Mark [1977] R.P.C. 255. It was accepted in *IPC Media Limited v. Newsgroup Newspapers* that copyright subsisted in the logo.