Law of comparative advertisement and product disparagement under Trademark Law

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Abstract

Using another's trademark in a comparison ad is lawful, but the advertiser can't make fun of the goods or services of another while doing so. If the advertiser makes fun of someone else's goods or services, he is violating the trademark. He is also making fun of the goods or services of someone else, which is a form of product disparagement, too. This paper looks at the "tried and true" rules about comparative advertising and product disparagement, and how they work with trademark law. Sections 29(8) and 30(1) of the Trademarks Act, 1999, come into play here. Section 29(8) explains when it's not lawful to use trademark of others and how infringement can happen if someone else's mark is used in advertising without following the rules set out in the law. Section 30(1), on the other hand, makes such use an exception if the conditions provided in the section are adhered. The rules that apply to both of these legal provisions are the same. The goal of the legislature in this case was to let comparative advertising be a little more relaxed over the strict rules for trademark protection.

Introduction

Comparative advertising is one of the most effective forms of advertising, but it is not without pitfalls. Effective Advertising sends forth a message that people remember. It can alter how the rest of the world perceives a product or service, as well as the ability to produce sales. If the market for a service or product is clearly defined, comparative advertising can help in differentiating itself from the competition. Nothing appears to be able to accomplish this more effectively than comparative advertising.

The word 'comparative advertising' is used to define advertising in which the goods or services are advertised when the goods and services of one trader are compared, with another trader's services.[1]A poll was taken of commercials produced in the United States that reveal that there all commercials belong into one of three categories:

(i)Non-comparative advertisements are those that do not directly or indirectly mention a competitor's product.

(ii) Indirectly comparable commercials are advertisements that make a reference to a competitor product in a roundabout way.

(iii) Directly comparative commercials are those advertisements in which a competitor is directly competing with a product with a specific name or presented in a recognizable manner.[2]

Comparative advertising refers to advertising that falls within the last two categories. While some countries allow one or both types of comparison advertisements, others do not allow either. As a result, the well-known tag line in Carlsberg lager advertisements in the UK (which allows both forms of comparative advertising with certain restrictions) 'Probably the best lager in the world', cannot be used in Germany (which does not allow comparative advertising at all), as it would imply that all other lager are inferior to Carlsberg, thus falling into the category of indirectly comparative advertisements.[3]

Consumers gain from comparative advertising because it frequently contrasts the price, value, quality, or other characteristics of competing items, raising customer awareness. There is, however, one essential caveat to this:

[1] Uphar Shukla, Comparative Advertising and Product Disparagement vis-à-vis Trademark Law, JOURNAL OF INTELLECTUAL PROPERTY RIGHTS, 409 (2006), http://docs.manupatra.in/newsline/articles/Upload/597132AB-96EC-4DB0-8A82-8D732D603A14.pdf.
[2] Ryder Rodney D, Brands, Advertisements and Advertising , LEXISNEXIS BUTTERWORTHS, 326 (2003).
[3] *Id.*

Consumer understanding can only be improved for as long as advertising does not contain misleading information, which is always a concern when consumer education is given to companies with vested interests.[4] Comparative advertising is thus permitted to the extent that a trader is allowed to compare his goods to those of another trader in order to prove superiority of his goods over those of others, but he cannot imply that the goods of his competitor are inferior, bad, or unattractive while doing so. If he makes a statement like this, it will be considered 'product disparagement.' It is not permitted to make such a comparison that disparages a competitor's product.

PRODUCT DISPARAGEMENT

The word 'disparage,' according to Black's Law Dictionary, means to connect unequally; or to dishonor (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 harmful statement that discredits or detracts from the reputation of another's property, product, or business.[5] As a result, a false and harmful comment that invalidates or deviates from the reputation of another's property, product, or business is referred to as 'disparagement.'[6]

The meaning and application of the term disparagement were addressed in the case of ***Pepsico v. Hindustan Coca-Cola Ltd***.[7] Pepsico claimed patent infringement because Coca-Cola demeaned Pepsi's products in an advertisement by calling Pepsi "Bachon Wala Drink." Coca-Cola used a bottle with same color scheme as Pepsi and the name "Pappi" inscribed on it, as well. When determining what constitutes defamation, the court ruled that advertising that disrespects, devalues, or discredits a competitor's product is defamatory.

The court decided in ***Hamdard Dawakhana v. Union of India***[8] that, while ads were recognized as a kind of free expression, they did not qualify as such because their goal was always commercial benefit. In ***Tata Press v. Mahanagar Telephone Nigam Ltd.***[9], the Supreme Court overturned the previous stance, ruling that ads assist both producers and the free movement of information in a free market economy, which helps to attain the greater goal of public awareness. Commercials were deemed to constitute "commercial speech" under Article 19(1)(a) of the Constitution of India as a result of this judgment.[10] However, freedom of speech and expression does not authorize defamation, and it would be a stretch to claim that an advertising has the unrestricted right to trash a competitor's goods under the guise of free speech.[11] Although it is one thing to declare that your product is better than a competitor's and another to argue that his product is inferior to yours, the irony remains that while stating the latter, the hidden message may be the former, which is unavoidable in this case. When comparing products, the promoted product must, of course, be proved to be superior.[12]

The court stated that in the electronic media, the derogative message is communicated to the viewer by continually, showing the advertisement every day, thereby guaranteeing that the viewers get a strong message as the said advertisement leaves a lasting imprint in their minds. In order to decide the issue of denigration, the following factors must be kept in mind:

(i)the commercial's purpose;

(ii)the commercial's style;

(iii)the commercial's storyline and the message that the commercial is attempting to convey.

[4] PHILLIPS JEREMY, TRADEMARK LAW- A PRACTICAL ANATOMY, 8.93 (1st ed. 2003)
[5] Garner Bryan, A Black's Law Dictionary, 7th edn (West Group, Minnesota) 1999.
[6] Meaning of 'disparagement', as given under Black's Law Dictionary, Garner Bryan A, Black's Law Dictionary, 7th edn (West Group, Minnesota) 1999
[7] Pepsi Co Inc and Ors v. Hindustan Coca Cola Ltd and Anr., 2003 (27) PTC 305.
[8] Hamdard Dawakhana v. Union of IndiA, SCR 1960(2) 671.
[9] Tata Press Ltd v. Mahanagar Telephone Nigam Ltd., AIR 1995 SC 2438.
[10] *Id.*
[11] Dabur India Ltd v. Wipro Limited, CS (OS) No 18 of 2006.
[12] Suzuki Motor Corp v. Consumers Union of United States Inc., 292 F.3d 1192 (9th Cir 2002).

The 'commercial style' is the most important of the above. If the way involves mocking or condemning the competitor's product, it is disparaging; but, if the manner is just to demonstrate that one's product is superior or best without disparaging the product of others, it is not actionable.

Comparative advertising isn't the only source of product disparagement. Even a third-party action could be considered product disparagement. For example, a newspaper article may critique a certain good and in the process, he denigrates it. Discrimination by the occurrence of a third party is not rare. Indeed, instances of disparagement of a certain product, such as disparagement of food goods have reached epidemic proportions. Thirteen states in the United States have implemented similar legislation with the express purpose of limiting the food goods that are being slandered.[13] Generally, food manufacturers have the legal recourse against anyone who taints their product including material that maligns a food product unsubstantiated by scientific evidence. In such circumstances, however, the issue is not one of comparative advertising because the goods or services are not utilized in comparative or comparison advertising, and they may not be used in advertising at all.

TRADEMARK LAW AND COMPARATIVE ADVERTISING

The basic goal of a trademark is to "*identify one person's goods from those of another.*"[14] As a result, a trademark allows a consumer to recognize items and their origin. So, if an advertiser uses a competitor's trademark to draw a comparison with both his goods and those of his competitor's, disparaging them in the process, such an act on the advertiser's part would not only raise issues of comparative advertising and product disparagement, but also of trademark infringement.[15]

Trademark issues only arise when a competitor's trademark is used, for example, in ***Duracell International Ltd v Ever Ready Ltd***[16], the advertisement in question referred to the competitor's corporate name, Duracell Batteries Ltd, while depicting the appearance of a distinctive Duracell battery without mentioning the brand name. The defendant was found not to have infringed on the plaintiff's trademark. Furthermore, while Duracell had registered their battery as a trademark, it was in the colors copper and black, whereas the plaintiff's advertisement was in white and black. As a result, the defendant was found not to have infringed on the trademark.

The difference between comparable advertising and disparagement is discussed by the Delhi High Court in ***Horlicks Ltd. v Heinz India Private Limited***[17]. The Defendant (Heinz India Private Limited) issued an advertising in the newspaper "The Telegraph" for their "COMPLAN" branded health food drink (in its Kolkata and Patna editions). The advertising compared one cup of COMPLAN to two cups of a competing brand, "HORLICKS," with a disclaimer at the bottom of the page that read, "One cup of Complan (33g) delivers 5.94g of protein basis suggested pack dosage, while two cups of Horlicks (27*2=54g) gives 5.94g of protein." The Defendant also employed a tagline that reads, "Only Complan From Now On." The Plaintiffs (HORLICKS LIMITED) claimed that the Defendant's marketing disparaged their health food drink product HORLICKS on purpose.

In this case, the Court found convinced that the unique character of the HORLICKS mark had not been distorted because the two items were clearly differentiated. The Plaintiffs' source indicator was obviously HORLICKS, while the Defendant's source indicator was COMPLAN. The Plaintiffs were also unable to restrict its use of their trademark for the objective of defining their product, according to the Court. Finally, it stated that comparative advertising is acceptable as long as the use of a rival's

[13] The states with product disparagement statutes in US are: Alabama, Arizona, Colorado, Florida, Georgia, Idaho, Louisiana, Mississippi, North Dakota, Ohio, Oklahoma, South Dakota and Texas

[14] *Id*.

[15] Trademark Act, 1999, § 29 (8), No. 47, Acts of Parliament, 1999(India).

[16] Duracell International Ltd v. Ever Ready Ltd., (1998) FSR 87.

[17] Horlicks Ltd. v. Heinz India Private Limited, CS(COMM) 808/2017.

trademark is "honest." According to the Court, the objective test of honest usage is whether the use is judged genuine by member of a reasonable audience. In this situation, failing to mention a competitor's benefits is not always dishonest, and stressing the advantages of a competitor's goods in an advertisement by the marketer is not always dishonest either.

INTERPLAY BETWEEN COMPARATIVE ADVERTISING & PRODUCT DISPARAGEMENT

Proponents of comparative advertising frequently argue that commercial rivalries and economic warfare should be kept out of the marketplace; however, courts have been hesitant to accept this argument.[18]In fact, the courts have condemned acts of 'generic disparagement,' in which an advertisement disparages the category of goods or services as a whole rather than a specific proprietor's goods or services.

It's understandable that market pressures and intense rivalry make comparative advertising necessary; yet, the scope of comparative advertising cannot be carried too far to encompass product disparagement. Comparative advertising was formerly viewed as an infringement on the owner's rights since it was seen as a free ride on the other trader's goodwill.[19] Comparative advertising is, however, authorized under the current law, subject to specific restrictions.[20] The law on 'Comparative advertising and product disparagement' is as follows:

(a) Even if the claim is false, a trader has the right to declare his good to be the best in the world.

(b) He can also claim that his items are superior to those of his competitors, even if this is untrue.

(c) He can contrast the benefits of his goods to the advantages of others' goods in order to claim that his goods are the best in world or that his goods are superior to his competitors' goods.

(d) He cannot, however, assert that his goods are superior to those of his competitors while also implying that their goods are inferior. If he says so, he is slandering his competitors' products. In other words, he disparages his competitors and their products, which is illegal.

(e) If there is no defamation of the goods or the production of such goods, no action exists; nevertheless, if there is such defamation, an action exists, and if an action exists for the claim for damages for defamation, the Court has the authority to issue an injunction restraining order.[21]

The plaintiff must show the following crucial factors in order to be successful in a product disparagement action:

(i) His product has been the subject of an inaccurate or deceptive statement of fact;

(ii) The statement has deceived, or has the potential to deceive, a significant segment of potential consumers; and

(iii) The deceit is material, in the sense that it is likely to affect consumers' purchasing decisions.[22]

Furthermore, the Court should consider the advertising's objective, style, and topic when determining whether the disputed advertisement disparages the plaintiff's product. The *'manner of the advertisement*' is the most important of them because disparagement occurs when the manner of the advertisement outrageous or condemns the competitor's product.[23] However, if the way is solely to demonstrate that one's product is superior or best without disparaging the product of others, it is not actionable.[24]

Although the ASCI Code provides certain guidance, it is up to the courts to determine when competitive advertising causes disparagement. A Division Bench of the Delhi High Court in ***Colgate Palmolive Company & Anr. v Hindustan***

[18] Ven Warnink BV and Anr v. J Townend & Sons (Hull) Limited and Anr., 1980 RPC 31.
[19] Bismag Ltd v. Amblins (Chemists) Ltd., (1940) 2 ALL ER 60.
[20] Trademark Act, 1999, § 29 (8) & § 30(1), No. 47, Acts of Parliament, 1999(India)
[21] Reckitt & Colman of India Ltd v. M P Ramchandran and Anr., 1999 PTC (19) 741.
[22] Pepsi Co Inc and Ors v. Hindustan Coca Cola Ltd and Anr., 2003 (27) PTC 305.
[23] *Supra* Note 1.
[24] Trademark Act, 1999, § 2(zb), No. 47, Acts of Parliament, 1999(India)

Unilever Ltd[25] found that in comparative advertising, a certain amount of trade puffery is admissible as long as it does not cast the competitor's goods in a negative light, and hence no actionable claim could be brought against it. Further, the High Court stated in ***Havells India Ltd. vs. Amritanshu Khaitan***[26] held that it is settled law that an advertisement can label his product the finest, but at the same time, cannot rubbish the products of a competitor.

ANALYSIS OF LEGAL PROVISIONS

In India, the law of comparative advertising and product disparagement in the context of trademarks is based on ***Irving's Yeast Vite Ltd v FA Horse-nail***.[27]

The Trademarks Act of 1999, Section 29 (8), defines scenarios in which the use of a trademark in advertising might be considered infringement. It states that any advertising that is not in conformity with honest methods, or that is harmful to the unique character or reputation of the mark, is an act of infringement.[28]Simultaneously, Section 30 (1) exempts competitive advertising from the definition of violation under Section 29(8).It states that any advertisement that follows honest methods and does not harm the trademark's unique character or reputation is authorized and does not constitute infringement.[29]

The expression *'detrimental to its distinctive character*,' as used in the aforementioned sections, could be interpreted as a circumstance in which a competitor uses a registered trademark to indicate the origin of the goods as being his, causing confusion regarding its origin. However, this is rarely a cause for concern in terms of product disparagement (though it may raise concerns about comparable advertising).

While using a competitor's trademark, the advertiser may or may not make an allusion to the source or origin of the rival goods, but he would never associate such items with himself, especially if he is disparaging or disapproving of them. Thus, from the standpoint of product disparagement, the issues to be addressed under the aforementioned clauses are in line with honest practices and is not such as to be detrimental to the trademark's repute.

Conclusion

The Trademarks Act's Sections 29 (8) and 30 (1) are sufficient to handle allegations of trademark infringement disguised as comparative advertising. Attempting to compare your goods with those of a competitor is permissible, but only if the comparison is fair and does not bring the competitor's products or trademark into disrepute, i.e. comparative advertising is lawful, but comparative advertising that leads to product disparagement is not permissible, according to judicial pronouncements on the subject. Almost every country that allows the use of another's trademark in comparative advertising has a similar situation.

Companies also have a restricted recourse under the Trademark Act in the event of disparagement. Regarding trademark infringement protection and common law rights for defamation, section 28(9) of the Trademark Act is sufficient. Comparative advertising, however, is subject to what are considered honest methods under trade law. It would be a matter of legal interpretation and would be dependent on the facts of each case. In the absence of any specific instructions, like the European CADs, everything hinges on the Court's interpretation of provisions 29(8) and 30(1) courts.

A government-backed regulation advertising scheme is highly desirable in the interests of consumers. ASCI has been operating as a self-regulatory organization for some time, but it is yet to establish an enforcement system with the required fangs. The MRTP Commission was established before the abolition of the MRTP Act which armed the authority to put a stop to unfair trade practices. After the Competition Act repealed it, an action for "unfair trade practices" may be brought under Consumer Protection Act of 2002 only when a consumer, a group of consumers, or a

[25] Colgate Palmolive Company & Anr. v. Hindustan Unilever Ltd., 2014 (57) PTC 47 [Del](DB].
[26] Havells India Ltd. v. Amritanshu Khaitan, 2015 (62) PTC 64 (Del).
[27] Irving's Yeast Vite Ltd v. FA Horse-nail, (1934) 51 RPC 110.
[28] *Supra* note 15.
[29] Trademark Act, 1999, § 30(1), No. 47, Acts of Parliament, 1999(India).

willing association consumer requests it. As a result, under current law, a producer whose goods is derided has no recourse as to seek redress as he does not have *locus standi*. The only alternative is to notify a consumer organization or to represent the matter before the state or central authorities.

In the interest of consumers and to benefit the economy, an amendment to the Competition Act is highly desirable, restoring the functions of the MRTP Commission relating to comparative advertising and disparagement of competitor's product to the Competition Commission, so that aggrieved companies have a *locus standi* to complain about unfair trade practices and disparaging advertisements.

As a result, it is proposed that competitive advertising is good in the benefit of consumption, but it must be objective and avoid disparaging competitors' products. Competition that is fair and healthy is a hallmark of a thriving economy, and activities that foster competition should be encouraged. Equilibrium between consumer interests and trademark owners' interests must be maintained, and this can only be achieved by the establishment of clear guidelines by a central authority with a robust enforcement mechanism.

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25. Barclays Bank Plc v RBS Advanta [1996] RPC 307