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De Landtsheer Emmanuel SA v Comite Interprofessionnel du Vin de Champagne and Veuve Clicquot Ponsardin SA

European Court of Justice. Case C-381/05

The European Court of Justice issues guidance on whether advertisements are bound by the restrictions of the Comparative Advertising Directive.

Comparative advertising is undoubtedly an important feature of any competitive market place. At the same time however, without some form of regulation, aggressive use of this form of advertising could create unfair bias of one competitor over another and mislead consumers as to the true nature of the goods or services they are buying. In balancing these factors, not only in domestic markets but across Europe with the globalisation of brands and prevalence of pan-European and international campaigns, it is unsurprising that the law in this area is not straightforward and in many ways is still being tested.

The approach taken by the English Courts since the Trade Marks Act 1994 came into force has been to take a very liberal view in interpreting the law in relation to comparative advertising. Essentially, comparative adverts which are accurate and fair do no damage and should not be prohibited under registered trade marks law. Matters were complicated somewhat when The Comparative Advertising Directive (84/450/EEC as amended by 97/55/EC) (the Directive) came into force in April 2000.

The Directive, incorporated into UK law by way of the Control of Misleading Advertisements Regulations 1988, lays down an all inclusive code of what is permissible. Comparative advertising is allowed so long as certain conditions are met. The conditions are that:

- it is not misleading;
- it compares goods or services meeting the same needs or intended for the same purpose;
- it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;
- it does not create confusion in

the market place between the advertiser and a competitor or between the advertiser's trade marks, trade names, other distinguishing marks, goods or services and those of a competitor;

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

- for products with designation of origin, it relates in each case to products with the same designation;

- it does not take unfair advantage of the reputation of a trade mark, trade name or other distinguishing marks of a competitor or of the designation of origin of competing products; and

- it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

De Landtsheer Emmanuel case

De Landtsheer produced a beer based on the same production method as that used in the production of sparkling wine. To market the beer it referred to it as 'Champagnebier' and used such terms as 'Brut Reserve', 'The first BRUT beer in the world', 'Traditionally-brewed light beer' and 'Reims-France'. It also used references to the traditional winegrowing regions of Reims and Epernay. The company was sued in Belgium by Veuve Clicquot Ponsardin and a champagne trade body who claimed that the above terms amounted to unlawful comparative advertising. The Belgian court found against De Landtsheer, so preventing it from using all terms, save for 'brut' and 'reserve'. Whilst the company stopped using the term 'Champagnebier' it appealed the decision in relation to the other

terms. The Belgian Court of Appeal referred certain aspects of the case to the ECJ. In particular, it sought clarification as to whether or not an advertisement could in any event constitute comparative advertising, and so be bound by the various restrictions of the Directive, where it draws a comparison with an unnamed competitor or where a comparison is drawn with competitors generally.

On 19 April this year, the ECJ ruled that such comparisons could fall within the scope of competitive advertising. The test is whether the advertisement identifies, either explicitly or by implication, a competitor of the advertiser or goods or services which the competitor offers. The court went on to provide the following guidance:

- The Directive should be interpreted as having effect where an advertisement includes reference to a type of product where it is possible to identify an undertaking or the goods it offers as being actually referred to within the advertisement. The fact that a number of competitors may be identified in this way is not relevant for the purposes of recognising the comparative nature of the advertising.

- In determining whether there is a competitive relationship between an advertiser and any undertaking identified in the advertisement the following ought to be considered: (a) the state of the market and consumer habits as they are present but also how these might evolve; (b) the territory in which the advertisement is shown including the possible effect the evolution of consumer habits in other Member States may have on the relevant national market; (c) the extent to which the products can be substituted according to how the products are generally

perceived but also bearing in mind the characteristics of the products which the advertiser seeks to promote and the image it intends to attach;

And further

● Assuming there is comparative advertising within the meaning of the Directive then for products without any specific designation of origin, a comparison to products with a designation of origin is permissible.

What this means is that it is possible for advertisers to fall foul of the restrictions on comparative advertising even where an advert does not mention a specific product. Furthermore, the restrictions apply not only in relation to the natural and ordinary competitors of a product but will also apply to those who may be deemed competitors by virtue of the image the advertiser seeks to create.

O2 Holdings case

3G launched a television advertising campaign which included price comparisons of its prices to those of O2. It was eventually agreed between the parties that the price comparisons contained in the advertisement were accurate and did not mislead the public in any way. However, the advertisement also featured images of bubbles similar to those featured in the registered trademarks of O2 and it was in relation to this imagery that O2 brought its complaint that 3G had infringed its trademark.

The Directive allows trade marks to be used in comparative advertising where such use is 'indispensable' in order to make the advertisement effective. An example could be where the mark is used to identify the goods and services of a competitor, but quite what indispensable actually means is difficult to fathom, bearing in

mind that there is no need for businesses to advertise comparatively at all. In this case O2 argued that use of the bubble imagery was merely gratuitous, it was not indispensable and the advertisement would have been equally effective without it. O2 failed in the High Court, which held that whilst the advertisements did violate O2's trademark, use of the mark fell within the scope of the comparative advertising exemption. In delivering this ruling, the court had taken into account the medium by which the advertisement was broadcast. It was not unreasonable to expect a television advertisement to contain some form of visual impact and so long as the advertisement was fair and objective and did not mislead, the advertiser ought then to be free to choose what visual imagery it wishes to use, to enhance the persuasive sting of the comparative advertisement, be it use of the competitors trade mark or an amended version of it.

O2 appealed the decision. In assessing the case, the Court of Appeal recognised that the issues were to a large extent entrenched in the relative strengths of competing laws and a decision was required 'based upon the philosophy of how competitive the law allows European industry to be.' Three questions were proposed for referral for guidance to the ECJ:

● Where an advertiser uses a sign for the purpose only of comparing the merits (including price) of its goods or services with those of the trade mark owner, to the extent that the essential function of the trade mark to guarantee an indication of origin of the mark is in no way jeopardised, can this use fall within the Directive?
 ● Where an advertiser uses the registered trade mark of another in a comparative advertisement, must that use be 'indispensable' and, if

so, what is the criteria by which indispensability ought to be judged?

● If there is a requirement of indispensability, does that requirement preclude use of a sign so similar to the registered trade mark as to be confusingly similar to it?

In the Court of Appeal Jacob LJ offered his own view that the answer to the first question was 'No' because in this case 3G did not use the mark to indicate the trade origin of its own goods or services. If the answer was 'Yes' then 3G would be able to rely on the comparative advertising exemption provided it complied with honest commercial practices. Jacob LJ went on to comment on the question of indispensability and suggested that in fact use of a competitor's mark need not be indispensable to comply with the relevant Trade Marks Directive and further, use of the bubble imagery by 3G did not break the rules on the question of causing a likelihood of confusion for consumers.

Jacob LJ questioned 'How aggressively does EU law permit comparative advertising to go?' The guidance is awaited with interest.

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