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Compare, Not Disparage: Analysing the Grey Area in Trademark Law

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ABSTRACT

Advertising one's own products through electronic or print media is one of the best ways to reach the target population. Advertisements leave an impression on the consumer and helps them choose the product which will be the best fit. The advertisements inform the buyers about the essential attributes of the product, its quality, price and why it should be chosen. The storyline of the advertisement, the voice-over, the product, the jingle and the affixed trademarks all contribute to the decision that the consumer makes on seeing the advertisement.

Companies often use the tool of comparative advertisement to brag about the qualities of their product. In doing that, there is a very thin line that, if transgressed, becomes a case of disparagement. While the constitutional guarantee of freedom of speech protects commercial advertising, there are certain dos and don'ts that the advertisers need to be careful about. The statute on trademarks and the various case laws provide principles to prevent the infringement of the trademark of the competing product through disparagement. In this paper, the author will discuss these principles and the legal extent of comparative advertisement. The paper is conceptual in nature and the analysis will be conducted with the help of the Trademarks Act, 1999 and a few English and Indian case laws. The aim of the paper is to understand the grey area whereby companies transgress and go on to denigrate the competing product through their advertisements. A study of these principles will help us understand the ways in which one can prevent infringement of others' trademarks through comparative advertisement.

Keywords: *Advertisement, Comparative advertisement, disparagement, infringement, trademark*

I. INTRODUCTION

In the era of rising competition, advertising has become the most important tool to reach to the public and influence them to buy a particular product. An effective advertising is one which leaves a mark and influences the consumer to change his/her opinion. Advertisement not only informs the consumers about the product but also promotes healthy competition for the products

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in the same category. The buyers gain knowledge about the quality, durability, prices and unique characteristics of a particular brand which helps the make an informed choice.

Comparative advertising is considered one of the best means as it compares one's own product with that of his competitor by highlighting the differences and the advantages. A healthy competition is at the heart of a healthy market place. So, comparative advertising is not disallowed till it is sought to promote one's own product without causing harm to the rival product. There is a very thin line distinction between the two and the advertisers need to be careful while promoting their own cause.

The freedom of speech as guaranteed by our Constitution comes with a few restrictions, one of them being that not to cause defamation. The Constitution (Art. 19) protects commercial advertisement as a form of commercial speech by which businessmen can advertise their products to the world in a justifiable manner. Advertisements helps the companies/ brands reach a larger public, inform them about the quality of the product, its price, durability, taste and other unique selling points. It is done with a view to make its presence known and also influence buyers.

The advertisers can very well utilise this constitutional freedom to attract buyers by way of appreciating their product and provide reasons as to why one should choose it. However, this freedom is limited and the businessmen, in the guise of advertising, cannot provide a deceptive or a misleading information about any other product. So, a trader cannot, by way of a commercial to promote his product, seek to defame a competing product. All that a trader can do is to claim either that their product is the best or better in some respects. They cannot, however, claim that the rival product is inferior or bad. The moment he adopts a manner which is insinuating, it leads to disparagement of the product.

To prevent such negative campaign, the Trademarks Act under Section 29(8) provides for an action of infringement which could lie against the one who denigrates or disparages the product of the other. In this paper, we will discuss the concept and the law with regard to comparative advertising. Also, the principles as developed by the Courts in UK and India will be discussed in order to understand the concept of disparagement. The paper will thus follow a case-based analysis of the issue and attempt to draw a comprehensive picture.

II. USE: THE MOST ESSENTIAL THING FOR TRADEMARK

The most important function of any trademark is to guarantee the consumer the identity of origin

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of the product that is marked.[2] Apart from this, it performs other functions such as Quality function and advertising function. To perform these functions, the trademark has to be at first put to use. USE is the most essential thing for a trademark. It is the condition on which the whole concept of the law of the trademark depends. The basic criterion to avail protection of the trademark is that the trademark must have been in use. The trademark Act confers the exclusive right to use the trademark to the registered proprietor who can use it in relation to the products for which that trademark is registered.[3]

The 'use' must be a use in the course of trade.[4] Section 29(6) enlists four types of uses of a registered mark i.e., a trademark can be said to be in use if:

> "…a person uses a registered mark, if, in particular, he-- (a) affixes it to goods or the packaging thereof;
>
> (b) offers or exposes goods for sale, puts them on the market, or stocks them for those purposes under the registered trade mark, or offers or supplies services under the registered trade mark;
>
> (c) imports or exports goods under the mark; or
>
> (d) uses the registered trade mark on business papers or in advertising."

Since such a use is exclusive to the registered proprietor, a third party will be liable to a legal action of infringement if he violates the right of the former. The Trademark Act, 1999 in its Section 29 provides for a variety of grounds by which infringement can be caused.

III. USE BY WAY OF ADVERTISEMENTS & COMPARATIVE ADVERTISEMENTS

The concern of this paper is with the use of the trademark in advertisements. An advertisement does not, in itself, constitute the use of the trademark. Mere offer for sale without the use on goods or services does not amount to use of the trademark. The registered proprietor must take positive steps to acquire the goods marked with the trademark by the time an offer for sale is published.[5] If this were not the case, then the proprietor of a trademark, without any goods to offer, would have chosen to advertise the trademark at periodical intervals and thereby sought to prevent the trademark from any attack. Thus, it has been emphasized that the use of mark in advertising media and the placing of the goods in the market must be concurrent if it is to be

[2] *Sieckmann* v. *Deutsches Patent-und Markenamt*, (2003) 3 W.L.R. 424
[3] Section 28, The Trademarks Act, 1999
[4] *Reckitt & Colman India Ltd.* v. *M.S. Ramachandran*, 1999 PTC 741
[5] *Pioneer Nuts & Bolts Pvt. Ltd.* v. *Goodwill Enterprises*, 2009 (41) PTC 362

regarded as a trademark.[6]

Advertisement is a process of persuasion by way of a commercial message using paid media with the primary aim of convincing the consumer to obtain the advertised product. The advertisement involves both information as well as promotion and is designed in a way to influence consumer behaviour in favour of the product.[7] The ability to affect the minds of the consumers directly is what makes the advertisements a very important and effective medium of communication. With the ever-rising race of competition, everyone is trying to project their product in the best manner possible. Different types of advertising techniques are used to catch the attention of the consumers. One such way is comparative advertising.

Comparative Advertising is understood as an advertisement where a party advertises his goods or services by comparing them with the goods or services of another party.[8] This is done not only to project the merits of one's own product but also to highlight the differences between the advertised and the compared product. It can be a claim of superiority or of parity. It is done in order to stimulate the demands of the advertised product in preference to the compared product. Also, it is a way for new or unpopular brands to generate sales for their product by using the popular brand as a platform.

Comparative Advertising is also beneficial to the consumers and works in public interest. In an era where the consumers have abundant choices, comparative advertising helps them to make an informed choice. It brings out more information about the product such as price and quality. The aim being to win more consumers to one's favour leads to competition between the products which results in enhancement of quality and lowering down of prices. The comparative aspect makes the consumer aware as to which product is cheaper and better.

IV. COMPARATIVE ADVERTISEMENTS: LEGAL EXTENT OF USE

Comparative Advertising is legal and is not disallowed under the Trademarks Act, 1999.[9] A competitor's trademark can be made use of while advertising one's own product till goods i.e., claiming that one's goods are better than that of the other is not actionable, even if it is untrue. The cause of legal action of infringement occurs when the advertisement leads to a detriment of the distinctive character or impinges upon the reputation of the registered trademark. The courts have evolved a number of guidelines and principles by which the advertisement can be

[6] *Harold Radford & Company*, (1951) 68 RPC 221
[7] Sama, Ramzan "Impact of media advertisements on Consumer behaviour", 14(1) Journal of Creative Communications (2019) pp. 54-68 [last accessed on August 01, 2022]
[8] Bansal, Ashwani Kumar *'Law of Trademarks in India',* Thomson Reuters Publication, Third Edition, (2014)
[9] *Reckitt & Colman Ltd.* v. *Kiwi T.T.K. Ltd.*, (1996) 16 PTC 393

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put to test if it causes disparagement and is thus, actionable.

One such principle was laid down in the *Advocaat*[10] case where Lord Diplock held:

> "...advertisements are not on affidavit; exaggerated claims by a trader about the quality of his wares, assertions that they are better than those of his rivals even though he knows this to be untrue, have been permitted by the common law as venial 'puffing' which gives no cause of action to a competitor even though he can show that he has suffered actual damage in his business as a result"

There are also few leading English case laws which explain how and when puffery is allowed. In *De Beers*[11] case of 1975, the Court analysed two cases of *White* v. *Mellin*[12] and *Hubbuck* v. *Wilkinson*[13] in which the defendant had made claims about their own products being better than that of the plaintiff. The court laid down the test to see which statement would be held to be actionable and which not.

In *White* v. *Mellin,* the issue was with regard to the label which the defendant attached to the packaging of the plaintiff's product (baby food) before selling it to the public. The label was of defendant's own product of baby food called "Dr. Vance's" and it stated that it was "more nutritious and healthful than any other yet offered." The court analysed the general nature of the statement and went on to hold that the label was a common kind of puff which the public would not take seriously to mean that the plaintiff's goods were not good, or were less good than anyone else's. The court held that bragging about the quality of one's own product, either generally or in comparison to that of his competitors' does not give rise to an action of disparagement.

In *Hubbuck* v. *Wilkinson,* the Court was to analyse the statements published by way of a circular which contained details of the trials of competing parties' zinc paints. The statement in question was the conclusion drawn by these tests which sated that although for all practical purposes, the paints were equal; the defendant's product had a slight advantage. The court, following the principle of the above case, held that a statement that the defendant's product was as good as or better than the plaintiff's was not actionable.

The facts appeared to be similar in the *De Beers* case wherein the defendant had published purported results of a series of comparative tests on the parties' products, which were diamond abrasives. The results of the tests were specific and quantitative. It gave an impression that the

[10] *Erven Warnink BV* v. *J Townend & Sons (Hull) Ltd.,* (1979) A.C. 731
[11] *De Beers Abrasive Products* v. *International General Electric Co.* (1975) F.S.R. 323
[12] (1894) 3 Ch. 276
[13] (1899) 1 Q.B. 86

plaintiff's product wore unacceptably quickly when used on granite implying a more general problem with cutting power.

Walton J. in this case, identified two different kinds of extreme cases: first, where the defendant asserts that his goods are the best in the world or that it is better than the claimant's; Court held this to be not actionable. Second, where the defendant asserts that his goods are better than the claimant's by the reason of the claimant's goods being "rubbish"; this was held to be actionable. Also, it laid down two tests:

1. Whether a reasonable man would consider the defendant's claim to be a serious one?
2. Whether the defendant had pointed to a specific defect in the claimant's good?

The court applied the first test and distinguished between the *Wilkinson's* case and *De Beers* case. It held that in the former case, the statement was not likely to be taken seriously and that there was no real disparagement of plaintiff's paint. While, on the other hand, in the latter case, the statement by the defendant about the parties' abrasives was to be taken seriously as it was presented as a proper scientific test and it could be actionable if it contained disparaging statements.

The Indian Courts have evolved the similar principles in relation to the legal extent of comparative advertising. In *Godrej Sara Lee Ltd*. v. *Reckitt Benckiser (I) Ltd.,*[14] the plaintiff, a market leader in insecticides and pesticides under the trademark 'HIT' alleged infringement by way of the advertisement by 'Mortein'. HIT came in two versions- red and black for cockroaches and mosquitoes respectively. It was alleged the advertisement showed HIT in bad light which showed that a lady when faced with a problem of both mosquitoes and cockroaches at the same time, was confused as to which version to choose. The solution depicted by the advertisement was in the form of a 'Mortein can' meant for killing both.

A.K. Sikri J., in this case, held that there was no disparagement, as the defendant did not try to say that the product of plaintiff is of inferior quality. Rather, he just boasts that his singular product can be used for both purposes while the plaintiff's is in two versions. The court in this case held decisions in such cases would take into consideration the perception of an average individual who is reasonably well informed and observant. The court also stated that so far as the reputation of the competing product is not denigrated, the consumer is free to choose between them.

[14] 2006 (32) PTC 307 (Del)

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In another case of 2005, known as the ALL-OUT case, the Court held there was disparagement caused by the advertisement of the defendant. The plaintiff's product which is a mosquito repellent was a household name when the alleged commercial of GOOD KNIGHT TURBO REFILL was aired. The said commercial depicts the product of the plaintiff as an obsolete 15-year-old method and hence, outdated and less efficient in comparison to the product of the defendant. T.S. Thakur J. held that the defendant's commercial is a clear case of disparagement as comparison in advertisements is permissible so long as it does not denigrate the products of a competitor.

Kerly, in his book,[15] suggests three related points of principles as identified from the above cases. They are:

a) The statement must specifically denigrate the claimant. It means that the alleged advertisement should contain statement which claims that the claimant's goods are rubbish; only then it would be actionable. A statement merely alleging that the defendant's goods are better or are the best does not denigrate the claimant's goods.

b) The statement must be intended to be taken seriously to be actionable. A humorous advertisement which is not likely to be taken seriously can rarely be calculated to cause damage.

c) Mere general praise of the defendants' goods is not actionable as it does not denigrate and is also not likely to be taken seriously. Such statements are not actionable.

V. DETERMINATION OF INFRINGEMENT THROUGH DISPARAGEMENT- PRINCIPLES

The Trademarks Act, 1999 provides for certain types of uses which can lead to infringe the rights of a registered proprietor. One such ground is disparagement by way of comparative advertisements. As noted above, it is only when the advertisement causes to denigrate the product of the claimant, is that it becomes actionable. Similarly, Section 29(8) of the Act lays down three grounds by way of either of which an action of infringement can lie. The three grounds speak of the advertisement taking unfair advantage or being contrary to honest industrial or commercial practices; is in any manner causing damage to the distinctive character of the other trademark; or it harms the reputation of the trademark.[16]

In an action of infringement through disparagement, the plaintiff has to prove that the defendant

[15] *Kerly's Law of Trademarks and Tradenames*, 14th Edition, Sweet & Maxwell, South Asian Edition, (2007), page 622-23

[16] Section 29, The Trademarks Act, 1999 lays down various grounds of infringement of trademark.

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made a false or misleading statement of fact about the plaintiff's product which either deceived or possesses the capacity to deceive a substantial segment of consumers of the latter's product. The statement so made was in order to influence the consumer to prefer buying defendant's product to that of plaintiff's. As discussed above, a person can claim that his goods are the best or even that it is better than his competitor's; but the moment he says that the latter's good is bad, it becomes actionable.

The disparagement has an element of defamation[17] where the claimant's product is sought to be denigrated by the insinuations made by the commercial. There is no fixed parameter as the commercial has to be looked in and analysed to judge if there has been an attempt to do more than 'mere puffing'. The television commercial is aired repeatedly everyday so that the viewers get a clear message; as such, the advertisement leaves an indelible impression on the minds of the viewers.

> "To decide if there was disparagement of a product caused, a few factors have to be considered[18]:
>
> i. Intent of the commercial
>
> ii. Manner of the commercial
>
> iii. Story line of the commercial"

The intent is understood through the storyline of the advertisement and also from the message that advertisers seek to convey. The manner, however, of the commercial is the most important factor. If the manner of the commercial is such that it ridicules or condemns the product of the plaintiff, then it amounts to disparagement.[19] While the advertisers can go on to 'hype-up' one's own product but cannot, in that process, transgress the grey area thereby condemning the product of the rival.

VI. COURT ON DISPARAGEMENT: FEW EXAMPLES

Disparagement can be best understood with the case of *Pepsiso* v. *Coca Cola*[20], wherein the defendant's commercial of his product 'THUMS UP' mocked at the plaintiff's product 'PEPSI' by saying that the latter's drink will be liked only kids as it is sweet and the kids who want to grow up should drink 'Thums Up'. The commercial shows the kid who chose the other drink

[17] *Annamalayar Agencies* v. *VVS & Sons Ltd.*, 2008 (38) PTC: Disparagement of a product should be defamatory or should border on defamation
[18] *Godrej Sara Lee Ltd.* v. *Reckitt Benckiser (I) Ltd.*, 2006 (32) PTC 307 (Del.) [para 16]
[19] *Ibid.*
[20] *Pepsico Inc.* v. *Coca Cola Ltd.*, 2003 (27) PTC 305 (Del) (DB)

feeling embarrassed when the lead actor tells him that it was a 'wrong choice baby'. The court held that the manner was insinuating and mocking, leading to disparagement.

Similarly, in *Dabur* v. *Colgate*[21], the alleged advertisement ran down all Lal Dant Manjan tooth powder as severely detrimental to tooth health and particularly harmful to tooth enamel. In another case of *Dabur* v. *Emami*[22], the defendant was seeking to displace the market repute of CHYAWANPRASH by promoting his brand AMRITPRASH by a negative advertisement campaign in which a popular film star is made to declare that one should forget Chyawanprash in summers and instead, eat Amritprash as it was more effective. The Calcutta High Court held that the advertisement was disparaging as there was an element of insinuation present.[23]

In a 2007 case[24], the court laid down certain more principles and pronounced that generic disparagement of a competing product even without specifically identifying or pinpointing the rival product is also equally objectionable. So, a manufacturer of the product so disparaged, though not identified, can complain and seek to injunct such disparagement. In this case, the defendants not only claimed that their hair-oil was 100% pure, but also the plaintiff's product 'Parachute Oil' was NOT 100% pure. The commercial did not hint at the plaintiff's product directly. The court held that a clever advertisement can hit a rival product without specifically referring to it.

In a latest case of *Horlicks Limited & Anr*. vs *Zydus Wellness Products*[25], the dispute was between two renowned corporations on health drinks Horlicks and Complan. The plaintiffs had a grievance that advertisement in the electronic media of 6 seconds with a voice over of *"One cup of Complan has the same amount of protein as two cups of Horlicks."* was insufficient for the consumers to notice the disclaimer containing "*One Cup of Complan [33g] gives 5.94 g of protein while two cups of Horlicks [27 x 2=54g] give 5.94g of protein basis on-Pack recommended serving size."* The Delhi High Court in this case emphasized on the impact of the electronic media as it reaches a huge category of the public. Absence of voice over of the disclaimer, insufficient time of the advertisement shows that the intent of the advertiser was clearly to disparage the product of the plaintiffs.

Thus, it can be said that the question whether comparative advertising has been used validly or to disparage the rival product is a question of fact. It depends on the overall impact that the commercial creates on the mind of the consumers. There is no standard formula of application.

[21] *Dabur India Ltd.* v. *Colgate Palmolive*, 2004 (29) PTC 401 (Del))
[22] *Dabur India Ltd.* v. *Emami Ltd.*, 2004 (29) PTC 1 (Del)
[23] *Ibid. (*Para 7)
[24] Supra 16, at para 29
[25] *Horlicks Limited & Anr.* v. *Zydus Wellness Products Limited*, [14 May, 2020]

Disparagement in a commercial can be caused by it being either to the point in a direct and clear manner or it can be made indirectly. The latter would require a proper scrutiny to detect if there is a valid cause of action for disparagement. The Courts attempt to consider the statement made by the competing trader to assess as to how it affects their reputation or product.

VII. CONCLUSION

The Courts have indeed played a decisive role in laying down principles which make it clear that there is no harm in comparing one's product with that of his competitor till it is fair and does not seek to cause disrepute. The law in India is similar to that developed by the English Courts. The Trademarks Act allows comparative advertisement till it does not cause disparagement. The position of law, thus, is that one can boast about one's own goods and can even exaggerate as puffing up is permissible but one cannot go on to say that his goods are better because the other's is rubbish.

Comparative advertising is beneficial to consumers as it causes awareness about the products and they can make a better and a reasoned choice. While it should be allowed, there have to be regulations and check on the abuses. This is to be done in the interest of public as a disparaging advertisement may lead to mislead the public to buy a product by deceiving them. A fair market place should be run through a fair competition as that is always in the interest of the public at large. A market which believes in healthy competition produces better products at a reasonable price. The check is also in interest of the registered trademark proprietor who can bring an action against the one who disparages his product and injunct the airing of such negative commercial.

It can be safely said that the comparative advertising with its regulations and restrictions is necessary for maintaining a peaceful market place. It promotes transparency and also encourages the advertiser to adopt a cautious approach so that the matter does not reach the Courtrooms. It also provides awareness to consumers as advertising is a source of purchasing information. Had there been no comparative advertising, a market with ever-increasing number of products would have become a difficult place. It, indeed, helps the purchasers to make a choice and the traders to promote their product.

Therefore, the idea of comparative advertisement is accepted as an important attribute of freedom of speech which allows promotion of healthy competition and fair trade. Comparing specific qualities without infringing trademark of the competitor would prevent any cause of litigation since there would be no disparagement. The trade practices and the legal norms as upheld by the Judiciary need to be taken due care of.

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