



Comparative Advertising Guidelines Emerging From Recent Decisions

by James W. Carson

Originally published in *Blanelys on Business* (January 2010) - [Read the entire newsletter](#)



Jim Carson heads up the patent and trademark areas of Blaney McMurtry's Intellectual Property Group. With over 30 years experience, his practice covers the full range of intellectual property law — the identification and protection of trade-marks, domain names, industrial designs, copyright and inventions in Canada, the United States and internationally; the review and preparation of technology transfer agreements and intellectual property licensing, confidentiality and distribution Agreements.

Jim is both a registered Patent Agent and registered Trade-Mark Agent in Canada and, a registered U.S. Patent and Trademark agent. He is a member of the Intellectual Property Institute of Canada, the Intellectual Property Section of the Canadian Bar Association and the International Trademark Association (INTA).

Jim may be reached directly at 416.596.2883 or jcarson@blaney.com

A clearer picture of what is legal in Canada, and what is not, when a company explicitly compares its goods and services in an advertisement to those of a competitor, is emerging from recent decisions of the Supreme Court of Canada and the European Court of Justice (ECJ).

As a result, if you are considering developing a comparative advertising campaign, or otherwise using another company's registered trade-mark in your own advertising:

1. Do not use another company's logo or artwork.
2. Do not use another company's trade-mark (registered or otherwise) on your products or packaging.
3. Do not use another company's trade-mark (registered or otherwise) in advertising your services. Consider a generic reference as opposed to a specific one. (In advertising automobile repairs, to take one example, do not refer to a specific brand of automobile but use the generic expressions "foreign imports" and "domestic makes.")
4. Make sure that any comparison that your advertising makes with another company's product or service is a fair and factual comparison of similar properties, features, ingredients, benefits or products. In addition, you are required to have support for the claims being made.
5. Do not discredit or disparage another company's product or service.
6. Present testimonials as individual opinions (vs. incontestable facts).

Background

Comparative advertising is a common and effective marketing strategy, but it has a number of legal pitfalls of which companies must be aware, and beware.

In a recent European Court of Justice (ECJ) case, *L'Oreal v. Bellure*¹, brand owner L'Oreal, a manufacturer of fine fragrances, objected to a company distributing imitations of its fragrances and identifying the corresponding L'Oreal fragrance in its comparative advertising. L'Oreal argued that the imitation fragrance manufacturer was "taking an unfair advantage" of the reputation of L'Oreal's brand. The ECJ held that advertising a product as an imitation of the well known L'Oreal branded product was unlawful.

In Canada, a starting point for determining if a comparative advertising campaign is lawful is the *The Canadian Code of Advertising Standards*. It contains 14 clauses that set the criteria for acceptable comparative advertising that is truthful, fair and accurate. The accompanying "Guidelines for the Use of Comparative Advertising," provide a further explanation of what the Code is intended to cover.

On the question of referring to another company's trade-mark in comparative advertising, section 22 of the Trade-Marks Act states that "No person shall use a trade-mark registered by another person in a manner that is likely to have the effect of depreciating the value of the goodwill attaching thereto." This may apply regardless of whether the registered trade-mark referred to belongs to a competitor or a non-competitor.

When looking at the application of Section 22, the landmark Canadian decision in *Clairol v. Thomas Supply & Equipment Co.* is commonly cited. In that case, the Court held that "use" in comparative advertising of a competitor's trade-mark registered for products was objectionable under section 22 only if it was used on the product being advertised, on the packaging for that product, or otherwise in association with the products at the time of sale. Use in advertising alone was insufficient. (In comparative advertising, there can be no use of a competitor's trade-mark registered for services, as opposed to products.)

Recently, the Supreme Court of Canada, in the *Veuve Clicquot* decision, re-affirmed the finding in the *Clairol* case regarding the "use" of another company's registered trade-mark in comparative advertising for products (as opposed to services).

Not unlike the European Court of Justice decision, the second element the Supreme Court looked at under section 22 was the goodwill associated with the competitor's registered trade-mark.

In the *Veuve Clicquot* case, the Supreme Court held that "while 'fame' is not a requirement of s.22, a court required to determine the existence of goodwill capable of depreciation by a 'non-confusing' use (as here) will want to take" the question of 'fame' "into consideration, as well as more general factors such as:

- the degree of recognition of the mark within the relevant universe of consumers;
- the volume of sales and the depth of market penetration of products associated with the claimant's mark;
- the extent and duration of advertising and publicity accorded the claimant's mark;
- the geographic reach of the claimant's mark and its degree of inherent or acquired distinctiveness;
- whether products associated with the claimant's mark are confined to a narrow or specialized channel of trade, or move in multiple channels; and
- the extent to which the mark is identified with a particular quality."

Even though another business's registered trade-mark is used in comparative advertising, it is not objectionable if the use in the comparative ad is "not likely to depreciate the goodwill" associated with the competitor's registered trade-mark. (The word "depreciate" is used in its ordinary dictionary meaning of "lower the value of" as well as to "disparage, belittle, underrate").

While disparagement is a possible source of depreciation, the value can be lowered in other ways, such as:

- when a mark is bandied about by different users;
- when there is a "blurring" of the brand image, or its positive associations, evoked by the trade-mark, or when there is a "whittling away" of the trade-mark's power to distinguish the products; and
- when there is an erosion of the public's capacity to identify the mark uniquely with the competitor's business, thus diminishing the mark's distinctiveness, uniqueness, effectiveness and prestigious connotations.

Disparagement or tarnishing of the trade-mark can arise where the comparative ad creates negative associations for the registered mark.

Canadian courts have recognized that the limits of what is covered under section 22 have not yet been fully explored by them. *Blaneys on Business* will keep clients and other readers advised as the case law evolves. In the meantime, given the continuing legal nuance inherent in comparative advertising, clients who are considering comparative advertising campaigns are encouraged to involve Blaney McMurtry's intellectual property practice early on in the process. ■

¹ *L'oreal et al. v. Bellure et al.*, [2009] EUECJ C-487/07_O.