Bugnion SpA

When commercial speech becomes unlawful

Considering the differences in the various phases of assessing comparative advertising can provide advertisers with a useful tool to ensure such communications are lawful

In Italy, as in many other European jurisdictions, different bodies are responsible for assessing the lawfulness of comparative advertising – the ordinary courts, the Advertising Self-Regulation Panel and the Competition Authority. While the substantive law applied by these three bodies is largely the same, they sometimes deliver divergent decisions in similar (or even identical) cases. The reason for these discrepancies – quite apart from the discretional power of the judges – can be found in the peculiarities of these three bodies. This article explores their main features, illustrating these through recent cases dealing with comparative advertising.

Far from relating merely to procedural issues, an awareness of the differences between these bodies can help interested parties to choose the most appropriate forum for their case.

Ordinary courts

The ordinary courts give parties the opportunity to put forward a comprehensive argument, applying all of the guarantees and evidentiary instruments set out in the Civil Procedure Code. Moreover, in cases where it is possible to obtain a preliminary injunction, the advantage of speed must be taken into consideration. Of particular significance is the range of remedies that the ordinary courts are empowered to grant, including orders supported by penalties and damages. Their weakness is that the Italian courts seem to regard comparative advertising with some suspicion. A significant indication of this lies in the fact that various judgments frequently reiterate that comparative advertising is in fact legal (even though this is provided for by law, with EU Directive 2005/29/EC implemented in Italian law by Legislative Decree 145/2007).

As a consequence, Italian courts often assess cases of comparative advertising harshly. This attitude is illustrated by an October 28 2013 decision of the Court of Milan (www.ilcaso.it).

The case was brought by a franchisor of a chain of shops selling disposable hygiene products (eg, kimonos, ponchos and towels) against a competing company that imported and sold similar products. At trial, it was ascertained that the defendant had sent an advertising newsletter to a number of stores affiliated with the plaintiff's franchising chain, headed "X stores disposable products offer". In the brochure the defendant introduced itself as a franchisee supplier, which in the past had traded and supplied products similar to those that the stores were buying directly from the plaintiff franchisor (which it referred to as the "mother house"). The defendant went on to state that it was able to provide the same products as the plaintiff franchisor, the only difference being the absence of the relevant trademark.

The court ordered the defendant to pay damages (to be determined by a separate judgment) in favour of the plaintiff, finding that its advertising was unlawful. First, the court indicated that the commercial communication constituted comparative advertising because of the defendant's reference to the competitor in the title of the brochure ("X stores") and the mention of the "mother house" in its text. Then, the court pointed out the two features of the comparative advertising that made this communication unlawful:

- It took unfair advantage of the reputation of a competitor's trademark (Article 4g of Law 145/2007); and
- It presented the goods offered for sale as an imitation of the goods covered by "X" trademark (Article 4h of Law 145/2007).

The statement referred to in the second point is fairly clear and is immediately apparent in the advertising text.

However, with regard to the first point, it appears that the court found that a mere comparison between two products – one of which was well known on the market – created an unfair advantage. The judgment did not qualify the unlawfulness of the behaviour precisely, since it did not specify why the advantage was unfair. In other words, there is no explicit reason why this behaviour was classified as unfair, which is uncommon in the decisions of ordinary courts.

This outcome may be considered an indication of the courts' suspicion of comparative advertising, where rigorous assessment is put aside in favour of some rough indicators of unlawfulness.

Advertising Self-regulation Panel

The Advertising Self-regulation Panel (a panel of jurists and communication experts) has the advantage that all members have a high degree of expertise and specialisation in advertising law. Other advantages to be considered are the streamlined nature of the procedure and the speed with which decisions are issued. The major limitation is that the panel cannot impose penalties other than to order the withdrawal of unlawful advertisements and – in the most serious cases – publication of its decisions.

Most panels carry out skilled and in-depth analysis of the advertisements before them, applying the Code of Marketing Communication – a body of rules with provisions on comparative advertising (with special reference to Article 15) that are similar to those introduced by Directive 2005/29/EC.

One case demonstrating the panel's greater openness towards comparative advertising is Decision 30/2013. This

concerned a television advertisement that compared two detergents, stating that one measuring cup of the advertised product was equivalent to one-and-a-half cups of the product's main competitor. The measuring cups were shown in the video. The panel considered the advertisement in question lawful. It first proceeded to decode the video in reference to what the average viewer would perceive, arguing that consumers would perceive that the two compared detergents had the same cleaning efficiency when their dosage was one to 1.5 cups, and that this relationship was expressed in relation to measuring cups used with the product (which, in fact, had different capabilities: one of 73 ml and the other of 66 ml).

The panel stated that the advertisement diverged from the terms of usual commercial comparisons because it compared two competing detergents in terms of the amount of product required to achieve the same result. Therefore, the advertisement did not directly claim superior performance as such, because it acknowledged that the two products were both capable of achieving the same result, but warned that a greater amount of the competitor's product was recommended than was needed of the advertiser's. The panel specified that this innovative communication method would not create confusion in the mind of the average consumer. At this point, the panel indicated that in the specific market of washing machine detergents, the quantity of product that must be used for a satisfactory cleaning result constitutes an essential and relevant characteristic. The panel then verified whether the comparative figures advertised were true and proven. Having responded affirmatively to this last question, the panel stated that the advertisement did not contravene the Advertising Self-Regulation Code.

Competition Authority

The last body to which questions concerning the lawfulness of comparative advertising may be referred is the Competition Authority. Like the ordinary courts, the authority applies Legislative Decree 145/2007 and can impose fines. However, it does not grant compensation for damages.

Statistically, a slightly higher degree of restrictiveness in the Competition Authority's decisions can be observed in respect of comparative advertising, compared to those of the Advertising Self-regulation panel. This is clearly illustrated by Decision 24522 of September 18 2013 (www.agcm.it), concerning the same case decided by the panel in Decision 30/2013.

Examining the same advertisement described above, the Competition Authority reached the opposite conclusion. It considered the comparative advertising in question to be unlawful and imposed a fine of €100,000. According to the authority, the message that consumers would perceive was that in order to obtain the same result using the competitor's product as that achieved by the advertised product, it was necessary to use 50% more of the competitor's product, without reference to the capacity of the measuring cups.

However, the Competition Authority noted that laboratory tests filed as evidence showed that the two products had substantially equal efficacy. The authority pointed out that the Consumer Code considers deceptive business practices, among other things, to include providing information that does not correspond to the truth or that in any way – including overall presentation – deceives or is likely to mislead the average consumer. On this basis, the authority considered the comparative advertising unlawful and imposed a fine on the advertiser.

Conclusion

This brief review of some recent cases illustrates some of the different features and sensibilities of the ordinary courts, the Advertising Self-regulation Panel and the Competition Authority.

Taking into account these differences in the various phases of assessing comparative advertising (ie, preliminary evaluation by the advertiser, appraisal by competitors) can provide the advertiser or its competitors with a useful tool to identify what differentiates lawful commercial communications from unlawful ones. WTR

Marco Lucchini
Associate
lucchini@bugnionlegal.it

Marco Lucchini graduated from the University of Milan in 2003 and received his LLM in IP law from Queen Mary, University of London. He is part of the Bugnion Legal staff as an associate at the Caneva & Associati law firm, where he deals with IP litigation, advertising law and unfair competition.

Simone Verducci-Galletti
Associate
verducci@bugnion.it

Simone Verducci-Galletti is a registered Italian and Community trademark and design attorney. He graduated in law from the University of Perugia and specialised in EU law and economics. Before joining Bugnion's Milan office in 2004, Mr Verducci-Galletti worked as a consultant with IP firms in Rome and Alicante (Spain). His areas of practice cover trademarks, designs, copyrights and related legal issues.