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Inconsistencies on comparative advertising in Benelux still apparent

The ECJ's decision in the *O2 Case* has clarified key issues unique to Benelux. However, inconsistencies in approach are still apparent

EU legislation on comparative advertising is governed by two directives: the Unfair Commercial Practices Directive (2005/29/EC) and the Misleading and Comparative Advertising Directive (2006/114/EC). Rather than examining these in detail, it is useful to consider how they contrast with the historical approach taken in Benelux. While the European Court of Justice's (ECJ) ruling in *O2 Holdings Limited v Hutchison 3G Limited* (Case C-533/06, June 12 2008) has clarified the way comparative advertisements should be treated, a number of questions remain.

The essence of the advertising directive is found in Article 194a of Book 6 of the Dutch Civil Code, which defines what comparative advertising is and when it is allowed. Article 4 of the directive states that comparative advertising shall, as far as comparison is concerned, be permitted when the following conditions are met:

- It is not misleading within the meaning of Articles 2(b), 3 and 8(1) of this directive or Articles 6 and 7 of the Unfair Commercial Practices Directive;
- It compares goods or services meeting the same needs or intended for the same purpose;
- It objectively compares one or more material verifiable and representative features of those goods and services;
- It does not discredit or denigrate the trademarks, 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 trademark, trade name or other distinguishing marks of a competitor, or of the designation of origin of competing products.
- It does not present goods or services as

imitations or replicas of goods or services bearing a protected trademark or trade name; and

- It does not create confusion among traders, between the advertiser and a competitor, or between the advertiser's trademarks, trade names, other distinguishing marks, goods or services and those of a competitor.

Unresolved issues

Prior to *O2* there were two unresolved issues under the Benelux regime. First, if one did not meet the conditions for comparative advertising as provided in Article 4 of the Misleading and Comparative Advertising Directive, would this constitute trademark infringement or fall under tort?

Second, under Benelux legislation a mark owner can prevent the use of a sign, other than for the purposes of distinguishing goods or services, when use without due cause takes unfair advantage of, or is detrimental to, the distinctive character of the trademark (Article 2.20 (1)(d) of the Benelux Convention on Intellectual Property). This 'other use' ground is set out in Article 5(5) of the Trademarks Directive (2008/95/EC) and is based on the Benelux practice.

The adoption of Article 5(5) has not been harmonized across the European Union – most member states have not incorporated this provision into national law. Article 5(5) therefore raises an interesting question in Benelux. Does trademark use in comparative advertising qualify as 'other use' for the purposes of Article 5(5)?

In the Benelux trademark use in comparative advertising was, in general, qualified as 'other use', as provided for in Article 5(5) of the Trademark Directive and Article 2.20(1)(d) of the Benelux Convention. As long as the advertising was in line with

the requirements for comparative advertising, the competitor was deemed to have 'due cause' to use the trademark.

However, according to the Benelux Court of Justice in *Claeryn v Klarein* (Case NJ 1975, 472, March 1 1975), 'due cause' has to be restrictively interpreted. Therefore, trademark use in comparative advertising was often deemed to be infringing. An example is a case involving two competitors in the electronics market, Correct and Media Markt. Media Markt advertised with the slogan 'Only at Media Markt the correct price'. The Hague Court of Appeal qualified this as 'other use' of another party's mark, and found that this took unfair advantage of, and was detrimental to, the distinctive character and repute of the CORRECT mark. Moreover, there was no due cause. Thus, Media Markt infringed the trademark rights of Correct (Case IER 2004, 77, May 27 2004).

Qualifying 'other use'

The most recent Benelux ruling before *O2* was the *KPN v UPC* (Case IER 2007, 54, March 20 2007) judgment of the Arnhem Court of Appeal, in which the court confirmed that the use of a competitor's mark in comparative advertising is governed by Article 2.20(1)(d) of the Benelux Convention and Article 5(5) of the Trademarks Directive.

The problem of qualifying trademark use in comparative advertising as 'other use' is that it is unique to the Benelux, whereas the intent of the EU legislature was to harmonize the rules. Since *O2*, it is clear that trademark use in comparative advertising has to be regarded as use for the advertiser's own goods and services for the purposes of Article 5(1) and (2) of the Trademark Directive, not 'other use' for the purpose of Article 2.20(1)(d) of the Benelux Convention and Trademark Directive Article 5(5).

The question of whether to assess a

comparative advertisement on the basis of the Misleading and Comparative Advertising Directive or (also) on the basis of the applicable trademark legislation is important. This is due to the enforcement possibilities in cases of trademark infringement, including the possibility of full compensation of legal expenses, which is possible only to a lesser extent in cases of tort.

Before *O2*, Benelux case law was quite diverse on this issue. In the *Correct Case* the advertisement was decided solely on the basis of Benelux trademark legislation. In *KPN v UPC* the Arnhem Court of Appeal assessed the advertisement on the basis of Article 194a of Book 6 of the Dutch Civil Code. The court held that, if the ad meets all the requirements of this provision, there is a necessity to use the competitors' trademark. If the use is 'necessary' it is given there is 'due cause' and, therefore, it is in line with Article 2.20(1)(d) of the Benelux Convention. This leaves no room for an additional trademark test. In this case the court held that the UPC ad did not meet the requirements of the comparative advertising legislation and was unlawful towards KPN. The court did not go into the matter of mark infringement.

O2 clarification

The *O2* judgment clarified the situation. As noted, it spelled out that comparative advertising is not 'other use' Second, the ECJ stated comparative advertising has to meet the requirements of the Misleading and Comparative Advertising Directive, with no room for an additional trademark test. This means that if a comparative advertisement meets the requirements of the comparative advertising legislation, it cannot constitute a trademark infringement.

However, this fails to address what happens if the ad does not meet all the requirements for an acceptable comparison. Does it constitute trademark infringement? The ECJ held that a mark owner is not entitled to prevent the use of its trademark in a comparative advertisement where such use does not give rise to a likelihood of confusion, irrespective of whether the comparative ad satisfies all the conditions laid down in Article 4 of the Misleading and Comparative Advertising Directive. In other words, if the ad is misleading, but not likely to give rise to further confusion, the rights holder can prevent the use of its mark only on the basis of tort.

In the Netherlands this gave rise to a discussion as to whether a mark owner can prevent the use of its mark on the basis of



Michiel Rijdsdijk
Partner
rijdsdijk@steinhauserrijdsdijk.nl

Michiel Rijdsdijk obtained his law degree (specializing in IP rights) from the University of Amsterdam in 1997. His main practice is in national and international IP litigation, and his work with several established multinational furniture manufacturers and designers has furthered his expertise in the field of design and copyright protection. He is co-founder of Dutch case law website www.boek9.nl and regularly writes on IP issues.



Milica Antic
Associate
antic@steinhauserrijdsdijk.nl

Milica Antic advises on various areas of IP law, especially trademark, trade name, copyright and domain name law. She also specializes in information and communication technology contracts and disputes. Ms Antic has wide-ranging litigation experience. She has written extensively about intellectual property.

trademark law if the ad takes unfair advantage of the reputation of the mark (which is not allowed under the Misleading and Comparative Advertising Directive).

Contradictory approaches taken

In the case of a mark that is not widely-known, it seems *O2* leaves no room for trademark infringement, notwithstanding whether the ad takes unfair advantage of the reputation of the mark. However, in the case of a well-known mark, infringement can be based on Article 5(2) of the Trademark Directive. *O2* only addressed the relationship between Article 5(1) of the Trademark Directive and the provisions of the Misleading and Comparative Advertising Directive. This might imply that, in cases involving well-known marks, the owner may oppose the use of its trademark in a comparative advertisement on the basis of its trademark right, even if the ad does not give rise to a likelihood of confusion.

There is no current Benelux case law addressing this issue. However, in the recent *Morecult Case* (IEPT20090429, April 29 2009), the Leeuwarden District Court held that a comparative advertisement was misleading and also examined whether the ad infringed the trademark rights of the plaintiff. It based its judgment on Article 2.20(1)(d) of the Benelux Convention and held that, although misleading, the ad could not be found to take unfair advantage of, or be detrimental to, the repute of the mark. So, the court performed both the comparative advertising test and the trademark test, and concluded that the ad was misleading and therefore unlawful but did not constitute trademark infringement. This ruling reflects the historical Benelux approach and seems to be contrary to the *O2* ruling as it performed an additional trademark test and based this on the 'other use' ground.

Meanwhile, the ECJ decision in *L'Oréal v Bellure* (Case C-487/07, June 18 2009) has added much to this discussion. Pursuant to this case, it seems that a mark owner may prevent the use of its mark in a comparative advertisement which does not satisfy all the conditions on the basis of Article 5(1)(a) of the Trademarks Directive, even when there is no likelihood of confusion, provided that such use affects, or is liable to affect, one of the other functions of the mark. Proprietors of well-known marks may also prevent the use of their marks in comparative advertising under Article 5(2) of the directive if the advertiser takes unfair advantage of that mark. *L'Oréal* therefore gives mark owners more room to use their trademark rights to prevent comparative advertising. WTR