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**Master of Laws (LL.M.)**

**'Intellectual Property Law'**

**Comparative advertising between the conflicting priorities of fair competition,  
trademark holder's rights and consumer information under South African law  
compared to the European and German approach on this issue**

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Minor dissertation presented for the approval of Senate in fulfilment of part of the requirements for the Master of Laws in approved courses and a minor dissertation. The other part of the requirements for this qualification was the completion of a programme of courses.

I hereby declare that I have read and understood the regulations governing submission of Master of Laws dissertation, including those relating to length and plagiarism, as contained in the rules of this University, and that this dissertation conforms to those regulations.

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## **1. Introduction**

Advertising for a long time is part of daily media. Potential consumers are used to be addressed by advertising statements trying to convince them concerning certain purchase decisions everywhere they go, no matter which webpage they visit. Due to the great importance the internet and especially social media achieved in the last decade in respect of the time spent online, advertisers took this opportunity to spread their ads all over these networks. It was never as easy as it is today to reach a huge number of potential consumers and as well to influence them by pointed, frequent, personalized and attracting advertising. Hence, the ability of advertising to affect consumers, their purchase decisions and finally a nation's whole market structure seems to have a limitless potential.

Therefore, also legal standards concerning advertising have increased its importance. Especially comparative advertising appears interesting concerning both, consumer attention and legal admissibility. Since it often stands out of the mass because of humorous, very informing and interesting statements, the attention of consumers allegedly is higher compared to usual advertising. On the other hand, the rights affected by comparative advertising form an intersection of trademark owner's rights, advertiser's rights as well as consumer's rights. Balancing these competing interests is the difficult task comparative advertising imposes on a nation's legal system.

If comparative advertising is fair, not misleading as well as objectively informing, it may increase consumer's information about alternate goods and services and encourage competition on the markets.

Since competition policy and legal practices are essential to determine the boundaries of comparative advertising and define when conflicting rights need to step back behind it, different approaches have developed.

First, I present the history and the recent approach to comparative advertising in South Africa, by regarding the legal system, jurisdiction of South African Courts as well as the provisions stated by the Advertising Standards Authority (ASA), as a self-regulating system for advertisers.

It shall be presented how the ASA's self-regulated system and the common law on unlawful competition may influence the law on comparative advertising. The ASA's Code of Practice has been developed by itself as an independent body, established and paid for by the marketing communications industry. Due to the fact, that the comparative advertising in South Africa is dealt with under the terms of the Common Law of Unlawful Competition, the *lex Aquilia* and hence the interpretation of the *boni mores* influences the approach on comparative advertising. Therefore, I will examine whether the ASA's Code as non-legislative provisions, is able to influence the Common Law of Unlawful Competition through the *boni mores*, since it reflects the perceptions of the advertising sector of the South African public. In addition the consequences of the ASA's Code, especially regarding its reference to the Trade Marks Act<sup>1</sup>, for comparative advertising as unlawful competition will be presented.

Since comparative advertising often constitutes comparisons by making competitors recognizable using their registered trade marks, the South African legislation on trade marks will be presented, focusing on the provisions which can be infringed by comparative advertising. Therefore it is necessary to emphasize the certain requirements for trade mark infringement and their interpretation by South African Courts. It will be presented how the courts approach changed in South Africa also by being influenced by foreign jurisdiction such as jurisdiction of the European Court of Justice. Certain cases will be evaluated to examine how trade mark rights and a general admissibility of comparative advertising have been balanced.

With regard to the purpose for encouraging comparative advertising also on the expense of trade mark right, ie benefitting competition on the market through better consumer information, it will be presented how the legislation tries to achieve this better information of consumers. Here the manner of information especially its quality, reasonableness, danger of misleading and objectivity will be regarded. Therefore, I will also have a look on the South African Consumer Protection Act. Although it does not contain specialized rights in relation to comparative advertising, its general purpose may help to undermine certain limitations for advertising while at the same time a high level of information for consumers through advertising is required.

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<sup>1</sup> No 194 of 1993.

Since South African trade mark law plays a major role concerning the legitimacy of comparative advertising, the sources it partially derived from have to be examined. It has been inspired by the European Directive on Trade Marks<sup>2</sup>. Hence, the interpretation of this Directive can be regarded as a conjunction between South African and German Trade Mark law<sup>3</sup>, since it is able to influence both national jurisdiction and is as well implemented in the German legislation on trade marks. Due to this influence, I will use European court decisions to explain the development of national approaches on the measurement of comparative advertising in South Africa and Germany.

Consequently, the thesis will present the European Directives which are relevant for the legal classification of comparative advertising, such as the Directive on Trade Marks and the Directive on Misleading and Comparative Advertising<sup>4</sup>.

Then, I will continue to outline the German approach. Since the Directive on Trade Marks requires a minimum scale implementation and the Directive on Misleading Comparative Advertising aims at a full-scale harmonization of the national laws<sup>5</sup>, the manner of implementation in the German national law will be examined. Hereby, the distinctive characteristics which are required for comparative advertising as well as the special statutory mentioned cases in which it is unlawful will be presented. The high level of legal differentiation shall be emphasized since this may lead to differences compared to the South African law. Also the uncertainty that arose in European and German jurisdiction concerning the question whether there can be comparative advertising without a comparison will be mentioned.

Finally, I will compare how South African law and German law approach the subject comparative advertising. Especially the influences of Common law and statutory law on unlawful competition will be compared and evaluated. It shall be presented which consequences can arise out of different systematic approaches in this field of law. Additionally, the differences in the legal approaches on trade mark infringement will be highlighted in respect of presenting whether they cause actual consequences for the final legal valuation of comparative advertising. Furthermore, the commonalities concerning the purpose of encouraging comparative advertising will be addressed.

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<sup>2</sup> Directive 2008/95/EC.

<sup>3</sup> German Trade Marks Act 01.11.1994.

<sup>4</sup> Directive 2006/114/EC.

<sup>5</sup> Recital 21 Directive 2006/114/EC.

## **2. Historical background of comparative advertising in South Africa**

In the 1970's the position to comparative advertising in South Africa was similar to most Western European Countries, where comparative advertising was not allowed in any form. Due to South Africa's economic isolation, comparative advertising was not a big issue, also because the South African advertising sector was still in a developing stage. If used, competitive advertising was rather conservatively. It was something to be avoided as a consequence of the position of the Advertising Standards Authority which has a big influence on advertising regulation in South Africa.<sup>6</sup> The Advertising Standards Authority is an independent body, established and paid for by the marketing communications industry and has the objective to ensure an effective self-regulation system which benefits both consumers and the industry.<sup>7</sup> Since the Code of Practice first was set up in 1968 comparative advertising was accepted to be regarded as unlawful competition in South Africa for a long period of time.

In the 1980's comparative advertising started to become commonplace in the United States. The ASA pointed out that it was still unlawful in South Africa. However, the Code of the ASA did allow certain comparisons, but only under the permission that it was necessary to illustrate the benefits of a certain product, by comparing it to a group of products of the same field. Furthermore, such comparisons had to be restricted to statements of fact and must not contain palliations. In addition, it was not allowed to identify trademarks within this group, neither directly nor by implication. The approach taken by ASA in the 1990s was that any advertisement that attacks or discredits competitors or their products, either directly or by implication had to be banned by the Code.

The first South African well-known comparative advertisement appeared on television in 1990 that contained the obvious comparison 'BWM beats the bendz'.<sup>8</sup> This advertisement referred to a Mercedes Benz advertising campaign which was based on a Chapman's Peak incident, where a Mercedes Benz was filmed, driving down a cliff. It was asserted that the occupants survived the accident. The responding comparative advertisement showed a BMW negotiating the bends of Chapman's

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<sup>6</sup> Judin&Dickens 'Advertising in the Dock' (1996) 5 Marketing Mix.

<sup>7</sup> <http://www.asasa.org.za/about>.

<sup>8</sup> T Woker Advertising Law (1999) 186.

Peak easily. This scene was underlined with the question: ‘Doesn’t it make sense to drive a luxury sedan that beats the bendz?’<sup>9</sup>

A controversial nation-wide discussion followed to this advertisement, which resulted in a change of perspective concerning comparative advertising. O.H. Dean commented on the ‘Beat the bendz’ in 1990 by addressing comparative advertising in respect of the current legal situation. He concluded that, in view of the advertising industry and the legislature, comparative advertising, *‘whether utilizing a registered trade mark or some other means to identify the product of another, is an unfair trading practice and is in South Africa contrary to established norms of unfair competition.’*<sup>10</sup>

Various articles in newspapers and journals followed, suggesting that South African law should be amended to make comparative advertising permissible. O.H. Dean in 1996 stated: *‘It would seem that the South African approach of intellectual property law to the subject of comparative advertising is out of step with modern international developments. Perhaps our legislature needs to look afresh at this question.’*<sup>11</sup>

Nonetheless, stringent ASA regulations and restrictions still prevented attempts to use comparative advertising in South Africa. Hence there are very few examples.<sup>12</sup> The government, when drafting the Trade Marks Act in 1993 had plans to explicitly allow direct comparative advertising by implementing a particular provision from the UK trade marks draft, but the provision was not adopted due to pressure from influential marketers.

However, even if the South African Trade Marks Act does not contain an explicit provision allowing comparative advertising, the act follows the provisions in the English Trade Marks Act and those given by the European Directive on Trade Marks. Thus, also European jurisdiction on Trade Marks, also in relation to comparative advertising, was considered by South African Courts when interpreting the South African trade mark infringement provisions.<sup>13</sup> Therefore, the restrictive

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<sup>9</sup> Ibid.

<sup>10</sup> Dean ‘Comparative Advertising as Unlawful Competition’ (1990) 2 SA Mercantile LJ 40 48.

<sup>11</sup> Dean ‘Intellectual Property and Comparative Advertising’ (1996) 7 Stellenbosch LR 25 28.

<sup>12</sup> The ‘Beat the bends campaign’ was the first and famous one. ASA ordered the withdrawal of the advertisement from television and print media, although Mercedes Benz, did not bring any complaint before the ASA. The ASA had acted of its own, using its own regulatory powers.

<sup>13</sup> <http://blogs.sun.ac.za/iplaw/files/2012/08/Quo-Vadis-SA-Trade-Marks.pdf>

South African position on comparative advertising was softened, especially through the decision in the *Verimark* case in 2007<sup>14</sup>.

### **3. Institutional mechanisms regulating comparative advertising**

Advertising can be self-regulated and South African advertisers strongly rely on this system by complying with the formalities provided by the Advertising Standards Authority. Additionally, the common law of unlawful competition plays a major role in the regulation of comparative advertising. However, advertising cases seldom come to court due to the application of the self-regulation system. Furthermore comparative advertising can be regulated through statute, more precisely the Trade Marks Act. Usually the regulation of advertising is a mixture of these methods. Also a public body like the Competition Commission can supervise advertising regulations in the interests of fairness and efficiency in the South African economy, but this option has not, as yet, been used in South Africa.<sup>15</sup>

To start with, general definitions and distinctive forms of comparative advertising will be presented. Then the focus shall be placed on the South African law affecting the lawfulness of comparative advertising. Comparative advertising under South African law can be unlawful because of two grounds. On the one hand by principles of common law related to unlawful competition and on the other hand by infringement of a registered trademark.<sup>16</sup>

The common law in general shall permit comparative advertising while concerning trade marks it was believed that comparative advertising amounted to trademark infringement.<sup>17</sup> However, it is in question to what extent the strict South African law affecting comparative advertising has yielded to benefit consumer information and competition of the markets.

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<sup>14</sup> *Verimark (Pty) Ltd v BMW AG*, 2007 6 SA 263 (SCA).

<sup>15</sup> <http://www.compcom.co.za/>.

<sup>16</sup> BR Rutherford, Trade marks and comparative advertising, CILSA 43 No 2, July 2010 at 173.

<sup>17</sup> *Ibid.*

#### 4. Comparative advertising definitions

When examining whether an advertisement is lawful or not, it is important to define the scope of comparative advertising, since only adverts which fall in this scope shall be measured by the requirements for permissible comparative advertising.

The term comparative advertising arises in relation to advertisements where the products of one trader are compared to those of another one.

Various, slightly different definitions for comparative advertising arose. For instance, *Dean* describes comparative advertising as

*“a practice whereby a trader in extolling the virtues of his wares in advertising draws comparisons between his goods and the goods of another, which goods are usually well-known and held in regard by the consumer, with a view to stimulate the demand for his own goods in preference to those with which the comparison is made”*

Another definition made by *Boddewyn* stated that comparative advertising is usually defined in terms of three features:<sup>18</sup>

- Two or more specifically, or recognizably demonstrated brands of a product or service are compared;
- The comparison is based on one or more attributes of the products or services; and
- It is stated, implied or demonstrated that factual information has been used as a basis for comparative claim(s)<sup>19</sup>

Also *De Jager and Smith* defined comparative advertising:

*“Comparative advertising is a technique of advertising containing visual, print or audio material, which has the effect of making direct or indirect comparisons between products or services of identifiable competitors or non-competitors as to the price, attributes, or characteristics of these products or services.”*<sup>20</sup>

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<sup>18</sup> Boddewyn/Marten *Comparative Advertising: A worldwide study* (1978) at 23.

<sup>19</sup> *Ibid.*

<sup>20</sup> De Jager/Smith, *Advertising and the Law* (1995) 67.

This definition highlights that references can be either direct or indirect, and it is a question of the intensity of reference, which is crucial especially for trade mark law.

Another definition was given by *Webster and Page* which has received legal recognition in South African law<sup>21</sup>:

*“Comparative advertising, as the name suggests, is advertising where a party (the advertiser) advertises his goods or services by comparing them with the goods or services of another party. Such other party is usually his competitor and is often the market leader in the particular trade. The comparison is with a view to increasing the sales of the advertiser. This is typically done by either suggesting that the advertiser’s product is of the same or a superior quality to that of the compared product or by denigrating the quality of the compared product.”*<sup>22</sup>

This definition also emphasizes that an important criteria for comparative advertising is that the advertiser and the trader affected by the advertisement are in a competitive relation to each other. If the products or services offered by the traders are substitutable, at least to a certain amount, such relation exists.

Furthermore the definition makes clear that types of comparisons can be distinguished by the degree to which the competitor is identified, since direct as well as indirect comparisons can be made.<sup>23</sup> In addition, the direction of comparative advertisements can vary. On the one hand, a comparison may be of an associative nature, on the other hand the advert’s focus may lay in differentiating the product’s features.<sup>24</sup>

## **5. Different types of comparative advertising**

Like the above presented definitions indicate, there can be different kinds of comparative advertising. The adverts differ concerning the identified objects, the degree of identification, the degree of humor or offensiveness, and concerning the question whether comparisons or mere references are made.

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<sup>21</sup> Cleaver J referred to the definition in *Abott Laboratories and Others v UAP Crop Care (Pty) Ltd and Others 1999 (3) SA 624 630 (I)*.

<sup>22</sup> Webster/Page, *South African Trade Marks* (4ed) (1998) 12-35.

<sup>23</sup> Dean ‘Intellectual Property and Comparative Advertising’ op cit 25.

<sup>24</sup> James/Hensel ‘Negative advertising: the malicious strain of comparative advertising’ (1991) 20 JoA 53 63.

## 5.1 Comparison

Some comparative advertisers rather refer subtly to a competitive brand (like '*Beats the bendz*'), while others explicitly name and show the competitor.<sup>25</sup>

Especially comparative advertising which disparages other competitors because of its offensive character has been criticized in literature. While non-comparative advertising often is permitted as 'puffery', comparative claims are regarded as 'statement of fact' and thus have to be true and not deceptive in respect of consumers.<sup>26</sup>

Hence, clear distinctions between various forms of identifying advertising are helpful to overcome uncertainty as to the common law principle applicable, and whether comparative advertising amounts to trade mark infringement.

Comparative advertising must be distinguished from related non-comparative approaches such as 'superiority' claims or 'puffery' advertising. Usually, all advertising practices associated with the term 'comparative advertising' include some kind of reference to another product or service being included. To a certain extent all advertising, in which some reference is given, may be at least implicitly comparative. To state that 'BWM gives you a smooth ride' suggests that other cars do not or not to the same extent.<sup>27</sup> The examination, whether an advertisement is comparative, and what specific form of comparison is used, considers the type of reference.

The distinction in respect of the intensity of the reference may be regarded as a three-level model. The first level covers adverts with low intensity of reference, which hence is non-comparative. On the second level the intensity is higher, because a reasonable consumer would identify the competitor and the reference is implicitly comparative.

For instance, in the decision *De Beers Abrasive Products v International General Electric Co of New York*<sup>28</sup> the judge categorized comparative statements as

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<sup>25</sup> Ibid 13.

<sup>26</sup> Van Heerden/Neethling op cit 157.

<sup>27</sup> Meyer, Die kritisierende vergleichende Werbung (1991) Regensburg, Roderer 15.

<sup>28</sup> [1975] FSR 323 329.

statements directed against the plaintiff's goods which a reasonable man would 'take the statement as being a serious claim.'

On the third level, the reference intensity is the highest, or that is to say a direct comparison. The intensity of reference depends on the potential targets of the comparative phrase, and whether any competitor or consumer can identify it as a reference to the competitor's goods or services.<sup>29</sup>

To draw a line between comparative and non-comparative references, the differentiation between 'statements of fact' and 'puffery' can help. A 'puffing' defense has been accepted for references not capable of measurement (e.g. 'Bayer Works Wonders'; 'Coca Cola is the "Real Thing"') or not intended by the advertiser to be seriously (e.g. 'Esso puts the tiger in your tank'). Sensible consumers are not deceived by such statements, and do not regard such 'puffing' as product claims.<sup>30</sup>

Furthermore, examples of non-comparative references are so-called own-price references.<sup>31</sup> Advertisers either compare their old prices with new ones, or they compare certain product discounts to the market price. In such case no explicit competitor can be identified by the reference.

However, the differentiation can be more difficult in determining what constitutes an implied reference compared to a non-comparative reference. Lots of advertisers are using comparative and superlative language without express reference. Expressions such as 'a better class of car' or the 'best restaurant in Cape Town' are commonplace in advertising puffery, and in many cases these 'puffs' cannot be construed as a reference to a particular competitor.

On the other hand, such 'puffs' may also constitute references to a competitor's goods or services.<sup>32</sup> In a German case a newspaper advertised by stating that its paper was the cheapest subscription paper in Berlin. This advert amounted to comparative advertising since the range of subscription papers in Berlin was limited enough to allow an identification of the possible competitors and their papers.

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<sup>29</sup> The Regulation of Comparative Advertising in the European Union 9 Tulane Eur. & Civ. L. Forum 179-214 (1994).

<sup>30</sup> *Elida Gibbs (Pty) Ltd v Colgate Palmolive (Pty) Ltd 1988 (2) SA 350 (W)*.

<sup>31</sup> Köhler/Bornkamm, UWG, § 6 Rn. 58; without examining this question, the GFSC assumes that there is a comparison in terms of §6 UWG in its decision "Eigenpreisvergleich", BGH WRP 2007, 1181.

<sup>32</sup> OLG Hamburg v. 20.07.2000 GRUR-RR 2001, 84, 85.

This is the main difference between the two situations. In the first, there are simply too many potential objects addressed by the reference to allow the identification of competitors or their products. In the second case, the reference could easily be implied, because there were only a few competitors to whom the comparison applied. The same was present in another German case where a television advertisement that compared Pepsi Cola and several unidentified cola drinks was held to imply a reference to Coca Cola due to its overwhelming market share and prominence in this sector.<sup>33</sup>

As presented, categorization is necessary because the term “comparative advertising” covers rather different forms of advertising claims.<sup>34</sup> The main criterion for distinguishing shall be the nature of the object of comparison.<sup>35</sup>

## **5.2 System Comparisons**

The object of comparison can as well be a whole category of products with certain similar characteristics. Often advertisements of trade or industry associations that promote the products or services of their members, give references to substitute products of other branches of a particular industry. The association of producers of plastic bottles, for example, could advertise that plastic bottles for certain reasons are better for consumers than glass bottles. In these “system comparisons” reference is given to a whole class of products rather than only to one product or producer thereof.

## **5.3 Comparisons of personal characteristics**

Another category of comparative advertising does not directly compare the products or services of competitors. It rather is directed to the competitors themselves and their personal characteristics. This category includes, for instance reference to race, gender, religion, nationality, professional conduct and experience, police records and state of health. Here usually the degree of identification is high enough to amount to comparative advertising.

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<sup>33</sup> Cola-Test BGH GRUR 87 49 50.

<sup>34</sup> 9 Tul. Eur. & Civ. L.F. 180 1994, Comparative Advertising in the E.U.

<sup>35</sup> Ibid.

#### **5.4 Invitation to compare**

Some advertisements merely invite addressed consumers to compare certain products. This is not sufficient to constitute a comparison between the advertiser's own products and those of a competitor.<sup>36</sup> However, if the advertiser additionally makes a further statement which contains a reference to a competitor's products, a comparison may exist. If the advertiser, for instance, advertises own jewellery with the statement that the jewellery was of high quality and acceptable prices and further that the consumers shall compare it to the catalogue of e.g. "P.L.", the required identification of and reference to a competitor is given.<sup>37</sup>

#### **5.5 Spare parts and accessories**

If the good or service merely is the supplement to another good or service (spare part, accessory, training measures to run a certain machine), than the competitive relationship to the producer of the main product is missing and hence no comparative advertising is done. However, if the producer of the main products offers spare parts or accessory himself the advertising has to be asserted differently.<sup>38</sup>

As a next step it shall be presented how comparative advertising in South Africa has been or has to be dealt with in terms of the common law of unfair competition.

### **6. Common law of unfair competition and comparative advertising**

The law of unlawful competition aims at ensuring that competition remains in fair and reasonable bounds and that no trader benefits of the expense of his rivals through the use of improper business methods. Claims for damages arising out of unlawful competition are often connected with infringement of intellectual property rights, in terms of comparative advertising with trade mark infringement.<sup>39</sup>

The law of unlawful competition falls within the ambit of the law of delict, in particular the Aquilian Action which derived from the lex Aquilia of ancient Roman

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<sup>36</sup> BGH GRUR 1999, 501 - Vergleichen Sie; BGH GRUR 1987, 49 - Cola-Test.

<sup>37</sup> BGH GRUR 1999, 501 - Vergleichen Sie.

<sup>38</sup> EuGH GRUR 2002, 354 - Toshiba/Katun; BGH GRUR 2005, 348 - Bestellnummernübernahme; BGH v. 02.10.2002 GRUR 2003, 444 - „Ersetzt“; BGH v. 23.11.2000 GRUR 2001, 350, 351 - OP-Lampen.

<sup>39</sup> OH Dean, "The roles of wrongfulness and dishonesty" (1990) 20 Businessman's Law 16, 1.

law. The Aquilian Action is a general action for wrongs to interests of substance and is available if the victim has suffered patrimonial loss.<sup>40</sup>

Hence, before a certain conduct may be qualified as unfair competition, the four requirements of Aquilian liability must be present:

- A wrongful act or omission
- Fault, in the form of either intention (*dolus*) or negligence (*culpa*)
- A causal link between the wrongdoer's behaviour and the loss sustained
- Patrimonial loss suffered by the victim

If a proprietor of an unregistered sign wishes to avoid that it is used in a comparative advertising, he has to refer to the common law of unlawful competition.<sup>41</sup>

Provided that he can establish all the requirements of Aquilian liability, as well as wrongfulness, he will succeed in an action for unlawful competition.<sup>42</sup>

A competitive conduct is wrongful if a competitor's right to attract custom or goodwill is infringed.<sup>43</sup>

Whether a wrongful act is given or not is measured by courts applying the general criterion of reasonableness or the *boni mores*, which result from a community's general sense of justice.<sup>44</sup>

In the case *Schultz v Butt* the court stated that the sense of justice must be interpreted as that of a community's legal policy makers, thus legislators and the courts. In the *Atlas* case the court stated further that also the business ethics of the community section in which the *boni mores* are applied are important for its determination.<sup>45</sup>

Hence, the question whether comparative advertising constitutes a wrongful conduct in a certain situation must be answered with respect to the *boni mores* in the specific situation. The *boni mores* are in turn determined by the standards of fairness and

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<sup>40</sup> Ibid.

<sup>41</sup> BR Rutherford op cit 175.

<sup>42</sup> *Schultz v Butt* 1986 3 SA 667 (A) at 678.

<sup>43</sup> *Geary & Son (Pty) Ltd v Gove* 1964 1 SA 434 (A) at 440; *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd* 1972 2 SA 173 (T) at 182.

<sup>44</sup> *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) supra* at 123–128.

<sup>45</sup> OH Dean Intellectual Property and Comparative Advertising, 5, <http://blogs.sun.ac.za/iplaw/files/2012/08/Intellectual-Property-and-Comparative-Advertising.pdf>.

honesty in the field of marketing and advertising the goods or services in question and as interpreted by the legislature and the courts.

Since the business ethics of the community section in which the *bonis mores* are applied are important to determine the *boni mores* for the individual case, the provisions stated by the Advertising Standards Authority of South Africa should be considered in the area of comparative advertising.

### **6.1 Advertising Standards Authority of South Africa and comparative advertising**

The Advertising Standards Authority (ASA) is an independent body set up and financed by the advertising industry to ensure that its system of self-regulation operates in the public interest. The ASA has produced a Code of Advertising Practices. It is based on the International Code of Advertising Practice, prepared by the International Chamber of Commerce and accepted worldwide as the base for domestic systems of self-regulation. The ASA's Code has been specifically tailored to the South African marketplace. It was drawn up by representatives of the local marketing and communication industries, and is amended from time to time to meet the changing needs of the industry and society. Its vision is to ensure trustworthy advertising in South Africa in the interest of consumers and producers and publishers of advertisements.<sup>46</sup>

Its main purpose is as follows:

*“[...] the protection of the consumer and to ensure fair play among advertisers. In the latter case it lays down criteria for professional conduct while at the same time informing the public of the self-imposed limitations accepted by those using or working in advertising. It rules from the basis for arbitration where there is a conflict of interest within the business, or between advertisers and the general public.”*

Since this Code of Advertising Practices has been adopted by the South African Media Council and the Newspaper Press Union as their code of conduct, it may be

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<sup>46</sup> <http://www.asasa.org.za/codes/advertising-code-of-practice>.

assumed that it is a codification of the business ethics of the community section dealing with marketing and advertising of goods and services.<sup>47</sup>

The Code provides special provisions for comparative advertising in its Art. 7, which says the following:

*7.1 Advertisements in which factual comparisons are made between products and/or services are permitted provided that–*

*7.1.1 all legal requirements are adhered to. Attention is drawn to the provisions of the Trade Marks Act 194 of 1993;*

*7.1.2 only facts capable of substantiation are used as governed by Section II Clause 4.1;*

*7.1.3 one or more material, relevant, objectively determinable and verifiable claims are made;*

*7.1.4 the claims are not misleading or confusing as governed by Section II Clause 4.2;*

*7.1.5 no infringement of advertising goodwill takes place as governed by Section II Clause 8;*

*7.1.6 no disparagement takes place as governed by Section II Clause 6;*

*7.1.7 the facts or criteria used are fairly chosen. In this assessment the following will, inter alia, be taken into account–*

- the significance of the facts or criteria used;*
- the relevance and representativeness of the facts or criteria used; and*
- whether the basis of the comparison is the same.*

*7.1.8 products or services compared must have the same or similar characteristics and must be intended for the same, or similar, purpose;*

*7.1.9 the contextual implication be strictly limited to the facts;*

*7.1.10 where claims are based on substantiated research, the express consent as to the accuracy and scope of such claims be obtained from the relevant research body;*

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<sup>47</sup> BR Rutherford op cit 176.

7.1.11 *the advertiser accepts responsibility for the accuracy of the research and claims.*

7.2 *It should be noted that reference to claims above shall be deemed to include all visuals and aural representations.*

7.3 *Group comparisons and comparisons which identify competitors by implication are acceptable subject to the criteria contained in this clause.*

7.4 *The guiding principle in all comparisons shall be that products and/or services should be promoted on their own merits and not on the demerits of competitive products*

7.5 *In considering matters raised under this clause, cognisance will be taken of the intention of the advertiser.*

7.6 *It is strongly recommended that advertisers obtain advice regarding the conformity of advertising material with all the provisions of clause 7 especially the Trade Marks Act before placing a comparative advertisement*

Even if the norm in 7.1 actually states that comparative advertising is permissible in general, the following requirements which are necessary for admissibility seem quite oppressive because they do not leave a big scope and may exclude a big range of comparative advertisements. Overall this is the case because of number 7.1.1 which refers to the provisions of the Trade Marks Act 194 of 1993. This might cause severe restrictions for comparative advertising since a strict and narrow interpretation of this act often caused that comparative advertising was trade mark infringing.<sup>48</sup>

If a similar interpretation would be used to determine the *boni mores* for comparative advertising, this caused that lots of comparative adverts are *contra bonos mores*, thus wrongful and unlawful.<sup>49</sup>

Also the further provisions of 7.1 form difficult obstacles for comparative advertising. Their wording and objection is similar to the regulations made for lawful comparative advertising in the German Act against Unlawful Competition and will be evaluated further in the thesis.

The interpretation of South African trademark law and its relation to comparative advertising will be presented below.

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<sup>48</sup> OH Dean, Intellectual Property and Comparative Advertising op cit 5.

<sup>49</sup> Ibid.

## 6.2 South African Court decisions

Due to the big influence of the ASA on comparative advertising and the fact that mostly registered trademarks protected under trade mark law are affected by comparative advertising, there are hardly cases that deal with comparative advertising in terms of common law.<sup>50</sup>

However in the case *Post Newspapers (Pty) Ltd v World Printing and Publishing Co Ltd*, the Post and the World were two rival newspapers which competed for advertising venue. The World prepared and distributed a report for the purpose of persuading advertisers to place their advertisements with it. The Post applied for an interdict to restrain publication and circulation of the report complaining that the report contained a comparison between it and the World which disparaged it in a false and misleading manner. The court held as follows:

*“To the extent that the statements complained of involve merely a comparison of The World and Post, they are not actionable. There are, however, statements in Annexure “B” which amount to disparagement of Post as an advertising medium. ...If these statements were shown prima facie to be untrue, the applicant would be entitled to relief.”*

The court then dismissed the application. According to the court, comparative advertising is generally permitted unless the advertisement contains untrue disparaging statements.

This decision has been criticized by *Van Heerden & Neethling* because the court required untrue allegations in addition to disparagement. They are of the opinion that also true disparaging statements can amount to infringement of a competitor’s right to goodwill and should be regarded as unlawful.

The lack of common law cases in respect of comparative advertising consequently amounts to unpredictability of the common law of comparative advertising. So far it is difficult for advertisers to deduce general rules from existing case law in regard to the question when comparative advertising amounts to unfair competition.

Nevertheless, more relevant for the evaluation of the legitimacy of comparative advertising is the South African trade mark law and its interpretation by the courts.

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<sup>50</sup> T Woker, Advertising Law op cit 193.

## **7. Trade mark law and comparative advertising**

The South African Trade Marks Act No. 194 of 1993 contains provisions dealing with the protection of registered trade marks. Owners of registered trade marks shall have certain exclusive rights which are provided in the act.

However, only registered marks are protected. To register a mark certain requirements have to be met. In terms of section 9 (1) Trade Marks Act a mark is registrable when it is capable of distinguishing the goods or services of a person in respect of which it is registered or proposed to be registered from the goods or services of another person(...).

If the owner of a mark fulfilling these requirements applies for a registration, the mark will be incorporated in the trade mark register and vest trade mark owners' rights to its owner.

### **7.1 Trade mark infringement**

The most important section of the Trade Marks Act in context with comparative advertising is section 34 which sets out the cases when trade mark infringement is given.

In terms of section 34 the rights acquired by registration of a trade mark shall be infringed by –

- a) *the unauthorized use in the course of trade in relation to goods or services in respect of which the trade mark is registered, of an identical mark or of a mark so nearly resembling it as to be likely to deceive or cause confusion;*
- b) *the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion;*
- c) *the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a trade mark registered, if such trade mark is well known in the Republic and the use of the said mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or*

*deception: Provided that the provisions of this paragraph shall not apply to a trade mark referred to in section 70(2).*

According to section 34 the Trade Marks Act covers three distinct forms of trade mark infringement, respectively primary infringement, extended infringement and infringement by dilution.<sup>51</sup>

### **7.1.1 Primary Infringement**

According to section 34(1)(a) the rights acquired by the registration of a trade mark are infringed by the unauthorized use in the course of trade in relation to goods or services in respect of which the mark is registered, of an identical mark, or of a mark so nearly resembling it as to be likely to deceive or cause confusion.

Hence the question arises whether the use of a registered trade mark in an advertisement comparing goods or services, falls within the scope of section 34 (1) (a).

To answer this question the history of jurisdiction concerning comparative advertising and trademark infringement of South African courts is presented.

### **7.1.1.2 Abott Laboratories v UAP Crop Care (Pty) Ltd**

In the decision *Abott Laboratories v UAP Crop Care (Pty) Ltd*<sup>52</sup> the Court stated that using a registered trademark to identify products of a competitor in a comparative advertisement constitutes trade mark infringement in terms of section 34(1)(a). In the case, the defendant produced and distributed a booklet which contained the comparison of his *Perlan* product with the applicant's product which was identified by its registered trade mark *Promalin*. The statement was that *Perlan* is a better product than *Promalin*. The defendant did not try to pass-off his own product as that of the applicant or in any way connected to him, nor were the two products held to be identical. The applicant applied for an interdict from infringing his registered trademark *Promalin* in terms of section 34(1)(a) of the Trade Marks Act 194 of 1993.

In its decision the court interpreted section 34 (1) (a) of the act literally and stated that the Trade Marks Act of 1993 would, contrary to the repealed act, define a trade

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<sup>51</sup> BR Rutherford, Trademarks and comparative advertising, *The Comparative and International Law Journal of South Africa* Vol. 43 No. 2 (JULY, 2010), pp. 173-189, 176.

<sup>52</sup> 1999 3 SA 624 (C).

mark in terms of its distinguishing function rather than its origin function, because the former limitation which required using the infringing mark as a trade mark, thus as a badge of origin, has been removed.<sup>53</sup> Therefore section 34 (1)(a) would cover not only the use of the allegedly infringing mark as a trade mark but also use of it otherwise than as a trade mark. In addition it stated that there would not be any requirement that the use of the allegedly infringing mark is likely to result in injury or prejudice to the trade mark proprietor.

Hence, the scope of trade mark infringement in terms of section 34 (1) has increased and was broad enough to cover comparative brand advertising.<sup>54</sup> Further, the court found that the defendant's action amounted to unauthorized use of a registered trade mark, in the course of trade. Even if the trade mark was used in the advert without physical connection to the actual product, the applicant's product was clearly identified with the trade mark. Thus, it was used in relation to goods or services for which the trade mark was registered. This resulted in trade mark infringement in terms of section 34(1)(a).

#### **7.1.1.3 Bergkelder BpK v Vredendal Koop Wynmakery**

In the case *Bergkelder BpK v Vredendal Koop Wynmakery*<sup>55</sup> it was in question whether non-trade mark use can amount to trade mark infringement in terms of section 34(1)(a). Since

Section 34 (1) (a) of the Trade Marks Act derived from article 5 (1)(a) and (b) of the European Trade Marks Directive<sup>56</sup> and section 10 (1) and (2) of the British Trade Marks Act 1994, judgements of the European Court of Justice can provide persuasive interpretations as well for the South African Trade Marks Act.<sup>57</sup>

#### **7.1.1.4 Arsenal FC plc v Reed**

In the case *Arsenal FC plc v Reed* the European Court of Justice considered the scope of protection afforded for a registered trade in terms of article 5(1) of the European Trade Marks Directive.<sup>58</sup> The court held<sup>59</sup> that

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<sup>53</sup> *Abbott Laboratories v UAP Crop Care (Pty) Ltd* op cit at 631.

<sup>54</sup> *Ibid* at 632 and 637

<sup>55</sup> 2006 4 SA 275 (SCA) at 281.

<sup>56</sup> The European Trade Mark Directive 89/104/ EEC of 21 December 1988 since repealed by the *European Community (EC): Marks Directive (Consolidation)* 2008/95/CE of 22 October 2008.

<sup>57</sup> *Beecham Group plc v Triomed (Pty) Ltd* 2003 3 SA 639 (SCA) at 645B.

<sup>58</sup> *Arsenal FC plc v Reed* [2002] EUECJ C-206/01 (12 November 2002).

*“[...]it follows that the exclusive right under Art. 5(1)(a) of the Directive was conferred in order to enable the trade mark proprietor to protect his specific interests as proprietor, that is, to ensure that the trade mark can fulfil its functions. The exercise of that right must therefore be reserved to cases in which a third party’s use of the sign affects or is liable to affect the functions of the trade mark, in particular its essential function of guaranteeing to consumers the origin of the goods.”*

Accordingly, the European Court of Justice defined infringement as a consequence of use which affects the functions of a trade mark.<sup>60</sup> However, the only function mentioned by the court is the guarantee of origin as the essential function. Thus, the question remains what other functions legally are protected.<sup>61</sup>

The decision of the European Court of Justice is interpretable in two distinct ways.

On the one hand, article 5 (1) could be interpreted narrowly and therefore was limited to the protection of the “guarantee of origin” function. Then the trademark proprietor is able prohibit only use which is likely to provoke the impression that the goods concerned and the trade mark proprietor are in any way connected, in the course of trade. Such use is likely to result in confusion.<sup>62</sup>

On the other hand, a broader view is possible, in the way that article 5(1)(a) is not limited to the protection of the origin function but includes other trade mark functions. Thus, the proprietor would be able to prohibit as well use that affects e.g. the distinguishing function, guarantee function or advertising function. This would amount to a strong protection of rights, allowing the proprietor to prohibit any use that is likely to cause him prejudice, although if there is no likelihood of confusion.

Interpreted in this way, article 5(1)(a) will encompass comparative brand advertising.

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<sup>59</sup> *Ibid* .

<sup>60</sup> See also *Anheuser-Busch Inc v Budejovicky Budvar, narodni podnik* [2004] EUECJ C–245/02 (16 November 2004); *Adam Opel AG v Autec AG* [2007] EUECJ C–48/05 (27 January 2007); *Céline SARL v Céline SA* [2007] EUECJ C–17/06 (11 September 2007).

<sup>61</sup> See L Bently & B Sherman, *Intellectual Property Law* (3ed 2009) at 923.

<sup>62</sup> The term ‘confusion’ is confined to confusion as to origin and does not extend to confusion in the broader sense (see *Sabel BV v Puma AG, Rudolf Dassler Sport* (Case C–251/95)[1998] 5 RPC 199 at 223). The origin function will not only be impaired when consumers wrongly think that the goods are related to the trade mark owners enterprise but also when they wrongly think that the goods originate from an economically linked enterprise (see *Bayerische Motorenwerke AG v Ronald Karel Deenik* Case C–63/97 [1999] 1 CMLR 1099 at par 64; *Adam Opel AG v Autec AG* Case C–48/05 at par 24).

Since the European legislator aims at encouraging comparative advertising like stated especially in the recitals of its directive about comparative advertising, this interpretation is unlikely to be the one intended by the court. A precise examination of this directive will follow further in the text.

#### **7.1.1.5 R v Johnstone**

Also the English House of Lords in *R v Johnstone*<sup>63</sup> used a narrow approach concerning the decision of the European Court of Justice in *Arsenal FC*. The House of Lords held that the essential function of a trade mark is the badge of origin, the indication of the trade source. Accordingly, infringement is restricted to use that is likely to prejudice especially this function, by creating an indication of origin with the used trade mark. Other use, not giving this indication does not interfere with the proprietor's intellectual property right and thus is no infringement.<sup>64</sup>

#### **7.1.1.6 Verimark (Pty) Ltd v BMW AG**

Also the South African Supreme Court of Appeal considered the scope of protection for a registered trademark in terms of section 34 (1) (a). In the case *Verimark (Pty) Ltd v BMW AG*<sup>65</sup>, Verimark had advertised its Diamond Guard car care kits and car polish by using BMW motor cars. The BMW AG as applicant complained that its well-known BMW logo was clearly visible in these advertisements. The BMW AG had obtained a trade mark registration for its BMW logo for cleaning and polishing preparations and vehicle polishes. It claimed that Verimark had infringed this trade mark in terms of section 34(1)(a). Verimark, the defendant, replied that only trade mark use could amount to infringement. It argued further that its product was clearly identified as Diamond Guard, and that the BMW logo only identified the car on which the product was used, not the polish. Hence, its use of the BMW logo would not amount to trade-mark use and therefore was no infringement.<sup>66</sup>

The court interpreted section 34(1)(a) restrictively and held that infringing use must be trade mark use. *Harms ADP*, delivering judgment on behalf of the court, stated<sup>67</sup>:

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<sup>63</sup> [2003] 3 All ER 884 (HL).

<sup>64</sup> *Ibid* at 889.

<sup>65</sup> 2007 6 SA 263 (SCA).

<sup>66</sup> *Ibid*.

<sup>67</sup> *Verimark (Pty) Ltd v BMW AG* at 267.

*“It is trite that a trade mark serves as a badge of origin and that trade mark law does not give copyright-like protection. Section 34(1)(a), which deals with primary infringement and gives in a sense absolute protection, can, therefore, not be interpreted to give greater protection than that which is necessary for attaining the purpose of a trade mark registration, namely protecting the mark as a badge of origin.”*

In *Verimark* the South African Supreme Court of Appeal adopted the narrow interpretation of *R v Johnstone*. *Harms DJP* stated<sup>68</sup>:

*“This approach appears to me to be imminently sensible. It gives effect to the purpose of the Act and attains an appropriate balance between the rights of the trade mark owner and those of competitors and the public. What is, accordingly, required is an interpretation of the mark through the eyes of the consumer as used by the alleged infringer. If the use creates an impression of a material link between the product and the owner of the mark there is infringement; otherwise there is not. The use of the mark for purely descriptive purposes will not create that impression but it is also clear that this is not necessarily the definitive test.”*

Regarding this decision, the court was of the opinion that trademark infringement depends on whether the public perceives the allegedly infringing mark is likely to serve as a source identifier. To determine this, one has to consider the complete context of use.<sup>69</sup>

The origin function is impaired if the impression of a material link between the infringer’s products and the trade mark owner is established.<sup>70</sup>

Usually, an advertiser targets at promoting his products by comparing it to a competitor’s products when using comparative brand advertising.<sup>71</sup> In the course of advertising, he uses his competitor’s registered trade mark to identify and distinguish

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<sup>68</sup> Ibid at 268.

<sup>69</sup> Ibid at 269.

<sup>70</sup> Wim Alberts ‘Origin of the species II: The Verimark case and trade mark infringement, South African Law Journal page 704; see also *Century City Apartments Property Services CC v Century City Property Owners’ Association* (57/09) [2009] ZASCA 157 (27 November 2009) at par 10, here the court held that the use of the name Century City in a descriptive manner in advertisements did not amount to infringement of the trade mark Century City.

<sup>71</sup> *O2 Holdings Limited and O2(UK) Limited v Hutchinson 3G UK Limited* ([2008] EUECJ C-533/06 (12 June 2008) at par 35.

his competitor's product from own products.<sup>72</sup> Using a trade mark in this manner does not create the impression of a material link between the products and thus not impair the trade mark's guarantee of origin.

### 7.1.2 Evaluation

The narrow interpretation of ruling of the European Court of Justice in *Arsenal FC* concerning article 5 (1) of the European Trademarks Directive which the South African Court of Appeal applied in the *Verimark* case is of a great importance for the possibility to advertise comparatively and as well legitimately. If traders were not allowed to give reference to other traders or their products by identifying them referring to their identity marks (usually protected as trade marks), it would prevent traders from making honest useful and informing statements about their products.<sup>73</sup> Furthermore this could probably amount to a restriction of the right to free speech in individual cases.

Finally, this approach on trade mark infringement and the interpretation of the European Court of Justice's definition of article 5(1) Trade Mark Directive could be regarded as more favourable concerning comparative advertising and achieving an increase in consumer information and competition on the market, than the later approach by the European Court of Justice to article 5 (a) is.

Due to the fact that the European Court of Justice ruled in another case (*L'Oréal/Bellure*<sup>74</sup>) likewise the South African Court did in the *Abbott Laboratories* case, when clarifying its interpretation of article 5(1)(a) of the European Directive.<sup>75</sup> This case concerned the use of a registered trade mark in comparative advertising. L'Oréal produced and marketed a range of fine perfumes, while the defendant marketed a range of imitations thereof. Comparison lists, containing L'Oréal trade marks, were used to present which imitations correspond with which original products.

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<sup>72</sup> See European Directive on Misleading and Comparative Advertising 2006/114/EC (12 December 2006) recitals 14 and 15 which provide: '(14) It may, however, be indispensable, in order to make comparative advertising effective, to identify the goods or services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor. (15) Such use of another's trade mark, trade name or other distinguishing marks does not breach this exclusive right in cases where it complies with the conditions laid down by this Directive, the intended target being solely to distinguish between them and thus highlight differences objectively.'

<sup>73</sup> W Alberts op cit 704.

<sup>74</sup> Exactly examined further in the thesis.

<sup>75</sup> See *Abbott Laboratories v UAP Crop Care (Pty) Ltd* op cit at 631.

The court held that article 5(1)(a) is wide enough to include comparative brand advertising.

In the decision the court explained that the protected trade mark functions would not only include the essential function of the trade mark, to guarantee origin, but also its other functions, in particular its guarantee, communication, investment and advertising functions<sup>76</sup> and that the trade mark proprietor will be protected against any use that is likely to cause detriment to any of these functions.

Hence, the opinion could arise that the European Court of Justice would curtail comparative advertising with this decision and undermine its self-set goal to encourage comparative advertising to benefit consumer information and competition. Furthermore the view arose that only in determining the wide scope of protection of article 5 (1) Trade Mark Directive, the European Court of Justice would have a more restrictive approach to comparative advertising than the South African Trade Marks Act.<sup>77</sup> But this view does not take into account that the ruling of the European Court of Justice additionally states that trade mark infringement only can be present in cases where comparative advertising does not fulfil the explicit requirements stated in article 4 of the European Directive on Comparative Advertising.<sup>78</sup> Thus, the admissibility of comparative advertising does not fail in terms of the wide interpretation of the scope of protection of article 5 of the Trade Mark Directive rather than by the requirements for comparative advertising in the Directive on Comparative Advertising 2006/114/EC. Comparative advertising has to be measured by the requirements of this directive and only if it is not able to fulfil them, trade mark infringement in terms of the Trade Mark Directive may be given.<sup>79</sup>

However, in the *Verimark* case the Supreme Court of Appeal adopted a narrow interpretation of protected trade mark use, contrary to the position of the European Court of Justice. As a result, European and South African law have parted ways concerning this fact. But this does not mean at the same time, that they have now different approaches on the admissibility of comparative advertising since comparative advertising which is lawful in terms of the Directive on Comparative

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<sup>76</sup> *L'Oréal SA, Lancôme Parfums et Beauté & Cie SNC and Laboratoire Garnier & Cie v Bellure NV, Malaika Investments Ltd and Starion International Ltd*, [2009] EUECJ C-487/07 (18 June 2009) at par 58.

<sup>77</sup> BR Rutherford op cit 183.

<sup>78</sup> See purpose of the Directive 2006/114/EC recital 15.

<sup>79</sup> *L'Oréal/Bellure* op cit at par 53.

Advertising will never amount to trade mark infringement, thus it does not matter what kind of use is protected under trade mark law.

Although, in terms of South African law, this interpretation affects the admissibility of comparative advertising, since a trade mark proprietor will be able only to prohibit use that is likely to create the impression of a material link in the course of trade between the advertiser's goods and himself – that is use of the trade mark that is likely to cause confusion. Thus, in the absence of a likelihood of confusion, the use of a registered trade mark in a comparative advertisement cannot be prevented under section 34(1)(a).

### **7.1.3 Extended infringement**

Section 34(1)(b) of the Trade Marks Act<sup>80</sup> states that the rights acquired by the registration of a trade mark are infringed by the unauthorized use of a mark which is identical or similar to the trade mark registered, in the course of trade, in relation to goods or services which are so similar to the goods or services in respect of which the trade mark is registered, that in such use there exists the likelihood of deception or confusion.

By requiring a likelihood of confusion, this type of infringement also targets at protecting the origin function of a trade mark. Therefore, the use of a trade mark can only be prevented if the use creates a likelihood of confusion.

### **7.1.4 Infringement by dilution**

Comparative advertising may also constitute an infringement in terms of section 34(1)(c).<sup>81</sup>

Section 34(1)(c) provides that the rights acquired by the registration of a trade mark are infringed by the unauthorized use in the course of trade in relation to any goods or services of a mark which is identical or similar to a registered trade mark, provided that such trade mark is well known in the Republic and the use of the mark would be likely to take unfair advantage of, or be detrimental to, the distinctive character or the repute of the registered trade mark, notwithstanding the absence of confusion or deception.

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<sup>80</sup> Act 194 of 1993 as amended.

<sup>81</sup> Webster & Page op cit at par 12.; see also *L'Oréal/Bellure* op cit at par 50.

Section 34(c) aims at protecting the commercial value of a trade mark.<sup>82</sup> As a consequence, a likelihood of deception or confusion is not required. Infringement, in this term, occurs if there is unauthorized use in the course of trade of a mark which is identical or similar<sup>83</sup> to a well-known registered trade mark. The phrase ‘well known in the Republic’ is not defined in the South African Trade Marks Act but in the case *Triomed (Pty) Ltd v Beecham Group plc*<sup>84</sup> the court adopted the same test for ‘well known’ as the Appellate Division in the context of section 35 Trade Marks Act.<sup>85</sup> However, in view of the potentially wide scope of this type of infringement, it is conceivable that, courts will adopt a more stringent standard of notoriety and require a greater degree of public awareness of the use of a trade mark than is required for section 35 and for a passing off action.<sup>86</sup>

Furthermore, use must occur in the course of trade in relation to any goods or services<sup>87</sup> and finally, the use must be likely to take unfair advantage of, or be detrimental to the distinctive character or the repute of the well-known registered trade mark.

Trade mark use is ‘detrimental to the distinctive character’ in the case of dilution by blurring, while it is ‘detrimental to the repute’, if dilution occurs by tarnishment.<sup>88</sup>

#### **7.1.4.1 Dilution by blurring**

Dilution by blurring is given where a well-known trade mark is used by another person than the registered proprietor in relation to any other products which results in a consumer disassociation of the mark from the proprietor’s products. The

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<sup>82</sup> See *Verimark (Pty) Ltd v BMW AG* op cit at 270 as well as *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* 2001 3 SA 563 (SCA) 568; *Beecham Group v Triomed* 2003 3 SA 639 (SCA) 646; *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International & another* 2005 2 SA 46 (SCA) 54.

<sup>83</sup> The degree of similarity between the well-known trade mark and the allegedly infringing mark should be of such level that the relevant section of the public establishes a link between them ; see also *L’Oréal/Bellure* op cit at par 36.

<sup>84</sup> 2001 2 SA 522 (T).

<sup>85</sup> see *McDonald’s Corporation v Joburgers Drive-Inn Restaurant (Pty) Ltd and Dax Prop CC* 1997 1 SA 1 (A)

<sup>86</sup> Webster & Page op cit at par 12; RA Kelbrick ‘The term “well-known” in South African trade-mark legislation: Some comparative interpretations’ 2005 *CILSA* 435.

<sup>87</sup> *National Brands Ltd v Blue Lion Manufacturing (Pty) Ltd* (286/2000) [2001] ZASCA 62 (18 May 2001) 568.

<sup>88</sup> See Bently & Sherman n op cit at 885–7; FW Mostert *Famous and well-known Marks* (2ed 2004) 1–112; *L’Oréal/Bellure* op cit at 39/40.

consequence is that the distinctiveness and commercial attractiveness of the trade mark is injured or destroyed.<sup>89</sup>

#### 7.1.4.2 Dilution by tarnishment

Tarnishment, on the other hand, means that the trade mark is used in connection to products of minor value, or in an offensive or negative correlation. This leads to a detrimental association of the mark and consequently to damage of its reputation.<sup>90</sup>

The trade mark owner has to show that any detriment relied on, amounts to unfairness in the individual case.<sup>91</sup> Any detriment must be substantial in the sense that it is likely to cause substantial damages to the uniqueness or reputation of the trademark.<sup>92</sup> For instance, the owner could show that the advert contains false or disparaging statements which are likely to have negative impacts on the mark.<sup>93</sup>

Taking unfair advantage hereby involves that the infringer benefits from the market advantage by using the well-known trademark.<sup>94</sup> The proprietor must show that the infringer has created a transfer of repute from the well-known trade mark to his products which facilitates their sales.<sup>95</sup> It is not sufficient that the advantage gained is just unfair, rather than being of a significant degree to grant the restriction of non-confusing use.<sup>96</sup>

*In Verimark (Pty) Ltd v BMW AG*<sup>71</sup> the court also stressed the requirement of unfairness and held that:

*“[...]the provision is not intended to enable the proprietor of a well-known trade mark to object as a matter of course to the use of a sign which may remind people of*

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<sup>89</sup> See FI Schechter ‘The rational basis of trademark protection’ (1927) 40 *Harvard LR* 813 at 825; *L’Oréal/Bellure* op cit at 39.

<sup>90</sup> *Triomed (Pty) Ltd v Beecham Group plc* 2001 2 SA 522 (T) at 557; Bently & Sherman op cit at 887; P Ginsburg *Trade-mark dilution* in Coenraad Visser (ed) *The new law of trade marks and designs* (1993) 35, 37 and 40; O Salmon ‘Dilution as a rationale for trade-mark protection in South African law’ 1987 *SA Law Journal* 647, 649–50; Webster & Page op cit at par 12; *L’Oréal/Bellure* op cit at par 40.

<sup>91</sup> *Laugh It Off Promotions v South African Breweries* op cit at 168; *Verimark (Pty) Ltd v BMW AG* op cit at 269–270.

<sup>92</sup> The detriment relied upon must be properly substantiated or established to the satisfaction of the court (See *Laugh It Off v South African* op cit at 168; *Verimark (Pty) Ltd v BMW AG* op cit at 270).

<sup>93</sup> *L’Oréal/Bellure* op cit at 40.

<sup>94</sup> Bently & Sherman n op cit at 883.

<sup>95</sup> A Carboni ‘Two stripes and you’re out’ 2004 *European Intellectual Property Review* 229 at 232–3.

<sup>96</sup> The unfair advantage accruing to the infringer must be properly substantiated or established to the satisfaction of the court (*Verimark (Pty) Ltd v BMW AG* op cit at 270).

*his mark; there is a general reluctance to apply this provision too widely; not only must the advantage be unfair, but it must be of a sufficiently significant degree to warrant restraining of what is, ex hypothesi, non-confusing use; and that the unfair advantage or the detriment must be properly substantiated or established to the satisfaction of the Court: the Court must be satisfied by evidence of actual detriment or of unfair advantage.”*

To prevent the use of his trade mark in a comparative advertisement in terms of section 34(1)(c), a trade-mark proprietor must not only show that the use of his trade mark is unfair, he must also comply with the onerous requirements for establishing either detriment or free-riding on the reputation of the registered trade mark. Although trade-mark use is not a requirement, the owner of the registered trade mark is required to establish that any detriment or harm to the uniqueness of his trade mark is substantial, or that any unfair advantage accruing to the infringer is significant. It is submitted that the owner of a trade mark is unlikely to succeed with a claim under section 34(1)(c) in the absence of any false or defamatory statements or unfair free-riding on the reputation of the registered trade mark.

## **7.2 Conclusion**

In general, South African trade mark law has adopted a more liberal approach to comparative advertising. The Trade Marks Act 194 of 1993, interpreted in the presented narrowly way, benefits allowing comparative advertising, since the requirements for infringement significantly limit the rights of a trade mark proprietor. In the case of primary infringement, infringing use has been limited to trade mark use, which means use likely to cause deception or confusion.

In a comparative brand advertising, the competitor's trade marks usually are used for the purpose to distinguish the own products from the competitor's products. Therefore, using a trade mark this way should not create an impression of a material link between the advertiser and the trademark proprietor, which would be necessary to cause a likelihood of confusion.

Regarding the case of infringement by dilution, it seems that the courts incorporated a fair-use standard and introduced requirements for the complainant to establish

detriment as well as unfair advantage. The complainant must substantially establish both to the satisfaction of the court.

It can be assumed that the scope of detriment and unfair advantage shall not be interpreted to widely and that the mere use of a trade mark in a comparative advertisement will not amount to infringement by dilution as a matter of course. In the absence of false or defamatory statements or trade mark use, it is unlikely that trade mark infringement by dilution will be found.

## **8. Consumer protection and comparative advertising**

Next to the law of unlawful competition and the law of trade marks also the South African law concerning the protection of consumers could have influences on the legitimacy of comparative advertising. The South African Consumer Protection Act<sup>97</sup> wants to promote a fair, accessible and sustainable marketplace for consumer products and services and for that purpose it establishes national norms and standards relating, inter alia, to consumer information, to provide for improved standards, prohibit certain unfair marketing and business practices and promote responsible consumer behaviour.<sup>98</sup>

### **8.1 Background**

The Consumer Protection Act, 2008 (Act No. 68 of 2008), enacted in 2011, is the result of a long process of reform and development in the field of consumer protection in South Africa. The CPA affects the relationships between consumers and businesses, covering a wide range of matters including the information of consumers.

The CPA impacts most industries and governs suppliers and consumers in relation to the promotion of goods and services and the promotion of the supply thereof in South Africa.

### **8.2 Purpose**

In its Preamble the Act sets out the reasons for enactment. The first mentioned purpose is the promotion and protection of the economic interests of consumers. This

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<sup>97</sup> Act No 68 of 2008.

<sup>98</sup> See Präambel Consumer Protection Act No 68 of 2008.

shall be achieved by improving the access to, and the quality of information that is necessary so that consumers are able to make informed choices according to their individual wishes and needs. In addition the development of consumer education concerning the social and economic effects of their purchase choices is emphasized.

The Act has its own interpretation clause, which provides that it must be interpreted in a manner giving effect to the purposes set out in section 3 of the act.<sup>99</sup>

In section 3, the act states inter alia, that:

The purposes of this Act are to promote and advance the social and economic welfare of consumers in South Africa by-

[...]

- c) promoting fair business practices;
- d) protecting consumers from-
  - unconscionable, unfair, unreasonable, unjust or otherwise improper trade practices; and
  - deceptive, misleading, unfair or fraudulent conduct;
- e) improving consumer awareness and information and encouraging responsible and informed consumer choice and behaviour

The act further provides for the specific fundamental consumer right to disclosure and information in its chapter 2, part D. Here, certain specialized forms of this right are listed. Although there is no provision especially related to comparative advertising, the general purpose of the act allows drawing conclusions with regard to information consumers can achieve through advertising.

The act expressively states that “consumers must be provided with the facts needed to make informed choices”. Comparing advantages and disadvantages of competing brands, products or services seems to be inevitable to achieve this goal. Therefore, it must be able to direct a consumer’s attention to other brands, goods or services characteristics and set them in comparison to similar products.<sup>100</sup>

An interpretation in the most favourable sense for consumer information must take into consideration, that comparative advertising in general must be legally permitted.

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<sup>99</sup> See s2(1) Consumer Protection Act.

<sup>100</sup> <http://www.bizcommunity.com/Article/196/12/58341.html>.

However, the purpose of the act is to avoid deceptive, misleading, unfair or fraudulent conduct and wants to promote fair business practices. Regarding this purpose in the light of comparative advertising, it reflects the limitations for comparative advertising which arose in the common law of unlawful competition and the Code of the Advertising Standards Authority as well as for the user of another person's trademark.

Based on the general understanding, that comparative advertising already is legally accepted, this act confers rights to consumers to protect them being influenced by deceptive, misleading or unfair comparative advertising. The fundamental right to disclosure and information for consumers does not include the right to be supplied with advertisements comparing certain products for easier, more comfortable information, rather than it provides defense rights against business practices, such as advertising eg, that are misleading or unfair and thus do not encourage responsible or informed consumer choices.

### **8.3 Enforcement structure**

Attention should be paid to the enforcement structure provided in the Consumer Protection Act. It aims to promote consumer activism by provisions for the accreditation of consumer groups tasked with lodging complaints on behalf of consumers.

With regard to comparative advertising, other laws, such as trade mark law and the law of unlawful competition, actively legitimate only competitors or trade mark proprietors to enforce their rights in front of a court.

The act gave rise to the establishment of the National Consumer Commission, a body assigned to investigate consumer complaints, likely the National Consumer Tribunal, which also is responsible for the adjudication of violations of the Consumer Protection Act.

In section 4 the Consumer Protection Act sets out persons who may approach a court, the Tribunal or the Commission, if a right in terms of the act had been infringed. According to section 4(1)(a) also a single consumer is legitimated to enforce his rights.

As consequence for comparative advertising, advertisers must not only be aware of not infringing competitors' or trade mark owners' rights when making advertising statements. They also need to take care, that consumers do not be misled or

confused concerning their purchase choices. Eventually the Consumer Protection Act can be a helpful instrument to promote informative quality in respect of comparative advertising.

After presenting the legal situation influencing comparative advertising in South Africa, I continue with discussing the European and German approaches.

## **9. European Directives affecting comparative advertising**

As presented above, the law of the European Union as a big combination of important international trading partners also is important for foreign legislations and jurisdiction. In respect of trade marks South African courts considered the decisions of the European Court of Justice in national cases. European law has an even bigger and compulsory influence on the national law of its member states. By constituting directives, the European Union has a powerful instrument to change or amend national legislation. With regard to comparative advertising two European Directives are important. On the one hand the European Directive on Trade Marks and on the other hand the European Directive on Misleading and Comparative Advertising. These directives have to be implemented in the member states' national laws. Further, national law has to be interpreted in compliance with the directives, which means it does not hinder the achievement of the directive's objectives. Therefore, interpretations concerning directives given by the European Court of Justice itself, as an institution of the European Union, have legally binding effects. Before I address the German law, I present the legal framework prescribed by the European Union.

### **9.1 History**

The first European directive considering advertisements that compare products or services of competitors was the Council Directive 84/450/EEC of 10 September 1984. The directive was related to the approximation of the laws, regulations and administrative provisions of the Member States concerning misleading advertising. According to its article 1, the purpose of this directive was to protect consumers, persons carrying on trade or business or practicing a craft and the interests of the public in general against misleading advertising and the unfair consequence

thereof.<sup>101</sup> First the directive only regulated misleading advertising by setting out a minimum standard for harmonization. However, recital 6 of the directive already stated that at a second stage, unfair advertising and, as far as necessary, comparative advertising should be dealt with, on the basis of appropriate Commission proposals.<sup>102</sup>

Later the Directive 97/55/EC of the European Parliament and of the Council of 6 October 1997 amended the Directive 84/450/EEC concerning misleading advertising so as to include comparative advertising. By implementing these regulations in the Directive 84/450/EEC, the law concerning comparative advertising has to be full-harmonized in the European Union. The new provisions set out a minimum and maximum standard at the same time.<sup>103</sup>

For reasons of clarity and comprehensibility the European legislator compiled the Directive 2006/114/EC of the Parliament and of the Council of 12 December 2006 concerning misleading and comparative advertising as a codified version. This Directive removed the former Directive 84/450/EEC.

## **9.2 Directive 2006/114/EC – Content and interpretation**

### **9.2.1 Objectives**

The modifications and amendments shall benefit a smooth functioning of the European internal market and eliminate the interferences concerning the free exchange of products and services resulting from diverse national provisions.<sup>104</sup> Harmonizing the provisions concerning comparative advertising shall impartially emphasize the advantages of various comparable products and services.<sup>105</sup> The purpose is to strengthen the informative part of advertising, to allow consumers to take the biggest possible advantage of the internal market. Since advertising can open up market places for products and services everywhere in the European Union, it is

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<sup>101</sup> Art. 1 Council Directive 84/450/EEC.

<sup>102</sup> Recital 6 Council Directive 84/450/EEC.

<sup>103</sup> Art. 7 (2) Directive 97/55/EC.

<sup>104</sup> Recital 6 2006/114/EG.

<sup>105</sup> EuGH, 23.02.2006 GRUR 2006, 345, Siemens/VIPA; EuGH, 08.04.2003 GRUR 2003, 533 - Pippig Augenoptik/Hartlauer.

an important instrument in this regard. In the interest of consumers, also competition between providers of products and services shall be promoted.<sup>106</sup>

### **9.2.2 Area of application**

To comply with recital 8 of the Directive 2006/114/EG the direction contains a broad understanding of the term comparative advertising.

### **9.2.3 Definition**

According to the Directive, comparative advertising means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor.<sup>107</sup> Hence, the definition covers any advertising that includes references, which means personal, critical and leaning on advertising comparisons. The main requirement is that the advertisement recognizable refers to one (or more) competitor(s), at least indirectly.<sup>108</sup>

### **9.2.4 Requirements for legitimacy of comparative advertising**

The Directive 2006/114/EC contains in its art.4 requirements for legitimacy of comparative advertising. The provision states as follows:

*“Comparative advertising shall, as far as the comparison is concerned, be permitted when the following conditions are met:*

*(a) it is not misleading within the meaning of Articles 2(b), 3 and 8(1) of this Directive or Articles 6 and 7 of Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market (‘Unfair Commercial Practices Directive’) (1);*

*(b) it compares goods or services meeting the same needs or intended for the same purpose;*

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<sup>106</sup> EuGH Siemens/VIPA op cit at 345.

<sup>107</sup> Art. 2 (c) Directive 2006/114/EC.

<sup>108</sup> (consistently)EuGH, 12.06.2008 GRUR 2008, 698 O2/Hutchinson; EuGH, 19.04.2007 - C-381/05 - GRUR 2007, 511 De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne; EuGH Pippig Augenoptik/Hartlauer op cit at 533.

- (c) *it objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price;*
- (d) *it does not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities or circumstances of a competitor;*
- (e) *for products with designation of origin, it relates in each case to products with the same designation;*
- (f) *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;*
- (g) *it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name;*
- (h) *it does not create confusion among traders, 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."*

The above mentioned requirements have to be available cumulatively. Their purpose is to balance the conflicting interests which may be impaired by the comparing advertisement. The objective is to benefit competition between providers of goods and services for consumer's interests, by objectively emphasizing the product's advantages. At the same time, practices which may distort competition, may harm competitors and may negatively influence consumer decisions are prohibited.<sup>109</sup>

As long as the requirements for legitimacy are cumulatively and conclusively fulfilled, comparative advertising is inherently permissible.<sup>110</sup>

There is no scope for deviating provisions of a national legislator which would legitimate comparative advertising that does not fulfill the Directive's requirements

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<sup>109</sup> EuGH v. 18.06.2009 GRUR 2009, 256 L'Oréal/Bellure; EuGH, 18.11.2010 GRUR 2011, 159 Lidl/Vierzon.

<sup>110</sup> See EuGH Pippig Augenoptik/Hartlauer op cit at 533.

for legitimacy. Hence, the Directive's regulations in art.4 must be regarded as a catalogue of permissibility and forbiddance at the same time.<sup>111</sup>

Since the Directive's main interest is benefitting comparative advertising, the requirements for permissible comparative advertising have to be interpreted in the most advantageous sense.<sup>112</sup> However it must be sure, that comparative advertising is not done in a way that is anti-competitive and unlawful or derogatory to consumer's interests.<sup>113</sup>

Since the relation between comparative advertising and trade mark protection is in question, the European law concerning trademarks is presented up next.

### **9.3 European Directive on Trade Marks**

In the European Union, the law concerning trade marks is influenced as well by a European Directive, the Directive 2008/95/EC of the European Parliament and of the Council of 22 of October 2008 to approximate the laws of the Member States relating to trade marks. Even if this Directive does not aim at a full-scale approximation of trade mark law between the member states,<sup>114</sup> it contains provisions concerning the protection of trade marks which must be implemented in national law as a minimum standard.<sup>115</sup>

#### **9.3.1 Trade mark protection in terms of the directive**

Rights which are conferred by a trade mark are listed in Art. 5 of the directive, which states:

*The registered trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:*

*(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;*

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<sup>111</sup> Ibid.

<sup>112</sup> EuGH Lidl/Vierzon op cit at 159; EuGH L'Oréal/Bellure op cit at 256; EuGH De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne op cit at 511; EuGH, 19.09.2006 WRP 2006, 1348 Lidl Belgium/Colruyt; EuGH Pippig Augenoptik/Hartlauer op cit 533; EuGH, 25.10.2001 GRUR 2002, 354 Toshiba/Katun.

<sup>113</sup> EuGH, Lidl/Vierzon op cit at 159; EuGH L'Oréal/Bellure op cit at 256.

<sup>114</sup> Recital 4 European Directive on Trade Marks.

<sup>115</sup> Recital 10 European Directive on Trade Marks.

*(b) any sign where, because of its identity with, or similarity to, the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public; the likelihood of confusion includes the likelihood of association between the sign and the trade mark.*

In regard of this provision, national legislators have to make sure, that holders of a registered trade mark have the exclusive right to exclude others from using an identical or similar sign for identical or similar or, as appropriate, even other goods or services, in the course of trade.

However, to create an effective comparative advertisement, a competitor's goods or services must necessarily be recognizable, by making reference to either his trade mark or brand.

### **9.3.2 Relation to lawful comparative advertising**

Furthermore the intention of the European legislator was to promote comparative advertising.<sup>116</sup> This would be difficult to achieve if any comparative advertising was forbidden because of references given to a competitor's trade marks. With regard to recitals 13-15 of the Directive 2006/114/EC, one has to draw the conclusion that constraining trade mark holders' rights to a certain extent, is necessary to encourage comparative advertising.

Hence, the use of trade marks, brands or other distinguishing signs of a competitor should not amount to infringement of a third-parties exclusive right as long as the requirements for lawful comparative advertising, given in Directive on Misleading and Comparative Advertising, are fulfilled and its purpose is emphasizing distinctions objectively.

In addition to that, the Trade Mark Directive<sup>117</sup> also contains limitations for the effects of a trade mark in its art.6. Here the Directive states that the trade mark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, the trade mark where it is necessary to indicate the intended purpose of a product or

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<sup>116</sup> Recitals 6, 7, 8 Directive on Misleading and Comparative Advertising 2006/114/EC.

<sup>117</sup> Directive 2008/95/EC.

service, in particular as accessories or spare parts, provided that he uses it in accordance with honest practices in industrial or commercial matters.<sup>118</sup>

In so far, the Directive on Misleading and Comparative Advertising evolves a barrier effect regarding trade mark rights. However, this does not mean that the regulations concerning comparative advertising are generally prior to trade mark rights.<sup>119</sup>

But the interdictions given by trade mark law must not restrict comparative advertising to a higher amount than allowed by art.4 of the Directive.<sup>120</sup> Therefore, provisions in the Trade Mark Directive and provisions of the Comparative Advertising Directive are applicable in parallel.

### **9.3.3 Relation to unlawful comparative advertising**

An application of trade mark provisions next to comparative advertising provisions also means, that the owner of a trade mark can claim his trade mark rights next to claims which may result from unlawful comparative advertising, hence unlawful competition.<sup>121</sup>

However, even if comparative advertising is unlawful, it only infringes a trademark owner's rights if it meets the requirements for trade mark infringement, set out in art.5 of the Directive.

To interpret these requirements the jurisdiction of the European Court of Justice has to be considered.

## **9.4 Decisions of the European Court of Justice**

### **9.4.1 L'Oréal/Bellure**

The European Court of Justice made explanations in *L'Oréal/Bellure*<sup>122</sup> concerning the interpretation of both, article 5(1) as well as article 5(2) of the Trade Mark Directive.

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<sup>118</sup> Art 6 lit c Directive 2006/114/EC.

<sup>119</sup> See EuGH, 12.06.2008 GRUR 2008, 698 O2/Hutchinson; *Ohly*, GRUR 2008, 701; *Menke* in: MünchKomm-UWG, § 6 Rn. 30; deviating: Advocat General *Mengozi* in his final application in the case O2/Hutchinson, *Sack*, GRUR 2008, 201, 205.

<sup>120</sup> *Sack*, WRP 2004, 1405, 1415; *Bornkamm*, GRUR 2005, 97, 101.

<sup>121</sup> *Hacker* in: Ströbele/Hacker, MarkenG, § 2 Rn. 80.

<sup>122</sup> EuGH, 18.06.2009 GRUR 2009, 256.

First it considered article 5(2), determining the concept of infringement by dilution. The court held that the concept of ‘taking unfair advantage of the distinctive character of the repute of a trade mark, also named ‘parasitism’ or ‘free-riding’, would not relate to the detriment caused to the mark itself rather than to the advantage taken by the third party as a result of using identical or similar signs. It especially covers cases where an ‘image-transfer’ occurred benefitting the advertiser or his products. This would amount to exploitation on the coat-tails of the mark with a reputation, since the advertiser benefits from the well-known trade mark’s power of attraction, reputation and prestige without paying any financial compensation and without making own efforts in regard of creating and maintaining a trade mark’s image. The advantage from such use shall be concerned as taken unfairly.

In the specific decision the court held that the use of comparison-lists amounted to free-riding on the coat-tails of L’Oréal trade marks and that unfair advantage had been taken of their distinct character and reputation.<sup>123</sup>

As presented above the European Court of Justice also interpreted the scope of protection of article 5 (1) (a) of the European Trade Marks Directive concerning primary trade mark infringement.

In this case it adopted the approach that trade mark use, which necessarily has to be present to commit trade mark infringement in terms of article 5(1)(a) Trade Mark Directive would include using another’s trade mark in any way which is able to cause detriment for the trade mark’s functions, so as guarantee, communication, investment and advertising functions in addition to its main function, guaranteeing the origin of products.<sup>124</sup> Hence, the scope of protection is interpreted widely by extending the area that can be harmed when using another person’s trade mark for identical goods or services.

The European Court of Justice also made explanations to the scope of protection of article 5(1)(b) which, in its view, is more restrictive than article 5(1)(a) regarding the trade mark’s functions that can be injured by using a sign, in the course of trade, at least similar to a well-known trade mark in relation to goods or services, at least similar to the goods or services the trade mark is used for. Since article 5(1)(b) would

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<sup>123</sup> EuGh L’Oréal/Bellure op cit at 256; Gert Wurtenberger, ‘L’Oréal v Bellure: An Opinion’ *Journal of Intellectual Property Law & Practice* 2010 vol 5 no 10, 748.

<sup>124</sup> Ibid.

require the danger of confusion, it requires the possibility of detriment of the main trade mark's origin function.

The court undermined this statement by giving reference to recital 10 of the former Trade Marks Directive 89/104/EC, which requests absolute protection in the case of identity between the used sign, the registered trade mark and the goods and services, the sign and trade mark are used for. In the case of similarity between sign, trade mark and goods and services used for, the danger of confusion is a specific requirement.<sup>125</sup>

Furthermore, the court mentioned that the trade mark owner can only prohibit a comparative advertisement which uses a sign identical to his trade mark in relation to identical products, in terms of article 5(a), if the comparative advertisement is not in compliance with the requirements for permissibility, stated by the Directive on Comparative Advertising.<sup>126</sup>

This statement may bring up the question whether the compliance of comparative advertising with the provision of the Directive on Comparative Advertising can qualify as defense in respect of trade mark infringement. However, the European Court of Justice already responded to this question in the following case.

#### **9.4.2 O2/Hutchinson**

In the case O2/Hutchinson, the European Court of Justice considered the relationship between the Trade Marks Directive and the Directive on Comparative Advertising. It held that the intended promotion of comparative advertising in Europe, necessarily limits trade mark owner's rights. Therefore, it stated that articles 5(1) and 5(2) of the Trade Mark Directive must be interpreted in the way that the proprietor cannot prevent a sign identical or similar to his mark being used in comparative advertising which satisfied the Comparative Advertising Conditions. However, the court stated further that an advertisement cannot satisfy these conditions, if it causes confusion sufficient to found an action under article 5(1)(b), thus causes trade mark infringement. In turn, where there is no confusion, the trade mark owner cannot use article 5(1)(b) to prevent the use of his marks in a comparative advertisement, whether or not the advertisement complied with the Comparative Advertising

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<sup>125</sup> Recital 10 Trade Marks Directive 89/104/EC.

<sup>126</sup> EuGH, L'Oréal/Bellure op cit at 256.

Conditions. According to this, it would be misjudging to regard the compliance with the Comparative Advertising Conditions as a defense against trade mark infringement. There rather is an interaction of the trade mark provisions and the comparative advertising provisions. Furthermore, the court is of the opinion that a comparative advertising causing confusion regarding the origin of the products of the compared businesses, in any case failed as an advertisement.<sup>127</sup>

Even though this statement is only directed to article 5(1)(b) it must be regarded as applicable to the other groups of trade mark infringement in terms of article 5, to satisfy the interaction system of the two Directives.

In addition, the court considered that infringing use must be use in respect of the infringer's (rather than the proprietor's) goods and services but that using a competitor's mark to identify the competitor's goods and services in comparative advertising also amounts to use in respect of the advertiser's goods and services, since he pursues own commercial targets by doing so.

Since the European Union developed Directives to harmonize their member states' law in the areas of comparative advertising and trade mark rights, to promote the legitimacy of comparative advertising in the Union, the question arises how member states implemented the directives' regulations. This shall be presented taking Germany as example.

## **10. Comparative advertising in Germany**

In Germany comparative advertising is specifically regulated by the Act against Unlawful Competition. Certain provisions of this act explicitly regard the lawfulness of comparative advertising and its requirements. Different to the South African law against unlawful competition, in Germany this field of law is regulated by statutory provisions.

### **10.1 Legal definitions**

According to the legal definition in §6(1) Act against Unlawful Competition (UWG), each advertisement which identifies directly or indirectly competitors or goods or

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<sup>127</sup> EuGH, O2/Hutchinson 12.06.2008 GRUR 2008, 698.

services provided by competitors, qualifies as comparative advertising. This definition is firmly aligned with the wording in art.2 lit. c of the Directive on Comparative Advertising.<sup>128</sup> According to recital 8 of the Directive, the term comparative advertising shall be understood widely to cover each kind of comparative advertising.<sup>129</sup> This understanding also has binding effects for the interpretation of the German definition.

The definition of comparative advertising comprises two components: the term advertisement and the identification – at least indirectly – of a competitor or of his goods or services.

The requirement of a comparative reference which the advertiser gives in relation to the competitor or his products is surprisingly missing. This raises the rather irritating question whether comparative advertising without any comparison is possible, or whether a comparison has to be regarded as the third unwritten criterion of § 6 (1) UWG.

To justify the applicability of § 6 UWG, which means that a certain statement has to be examined using the european-wide provided criteria for allowably comparative advertising, first of all, it is necessary that the statement in question qualifies as advertising. § 6 UWG is a specialized provision for comparative advertising and usable with priority with respect to other provisions regulating unlawful competition.

The scope of applicability of § 6 UWG is important insofar as the main focus of this regulation is achieving the best possible consumer information by allowing comparative advertising in general, but in certain boundaries. Thus, if a certain statement does not qualify as comparative advertising in terms of § 6 UWG, its admissibility has to be examined by using on the one hand the general provisions for unfair competition in German law (also contained in the UWG) and on the other hand, using the provisions given by the German Trade Mark Act.

Hence, if commercial statements of advertisement do not fall in the scope of comparative advertising there is no privileged status with respect to the rights of

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<sup>128</sup> Wording: „In the sense of this directive ... c) “comparative advertising“ means each advertisement that directly or indirectly refers to a competitor or the goods or services he offers ...“

<sup>129</sup> EuGH L’Oréal/Bellure op cit 256; EuGH De Landtsheer Emmanuel/Comité Interprofessionel du Vin de Champagne op cit 511; EuGH O2/Hutchinson op cit 698; EuGH Pippig Augenoptik/Hartlauer op cit 533; EuGH Toshiba/Katun op cit 354.

trade mark holders. The above presented rule that trade mark rights must not restrict comparative advertising by rating it as trade mark infringement, does not apply for any other area in unfair competition law. Therefore, the scope of comparative advertising is important and the first thing to determine when admissibility and conflicting interest of comparative advertising are in question. Since in German and European law specialized provisions of prime importance are applicable for comparative advertising, which also contain special limitations to ensure the effectiveness for consumer informing, the requirements for comparative advertising are presented subsequently. An approach, concerning comparative advertising, that is as wide as possible would have the result that a large number of advertisements had to fulfil the requirements of §6(2) UWG which sets out prohibited forms of comparative advertising and aims at benefitting consumer interests. Herewith the legislator considered that only forms of comparative advertising which avoid certain misleading or confusing statements can contribute to better information of consumers. Concrete prohibitions will be shown further below. To examine whether promoting statements are lawfully under German law, an exact categorization is necessary, since different conditions are required.

First of all, a statement must qualify as advertising.

### **10.1.1 Advertisement**

The definition for the term “advertisement“ must be gathered from art. 2 lit. a of the Directive to interpret it in conformity with European provisions.<sup>130</sup>

According to this, an advertisement is every statement used in the course of trade, industry, craft, or liberal profession, which aims at increasing the sales of goods or the rendering of services, including immovable items, rights and obligations.<sup>131</sup>

The term advertisement is defined in wide terms and captures very diverse forms of advertising, as well comparative advertising.

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<sup>130</sup> BGH, 09.02.2006 WRP 2006, 1109, 1111 - Rechtsanwalts-Ranglisten.

<sup>131</sup> See art 2 lit c Directive 2006/114/EC.

## **“Every statement”**

The term of advertising requires a statement, which means an objective fact which is provable or a value judgement that is not verifiable regarding its veracity, or that is to say an expression of opinion.

Also general idiomatic expressions without any informative content, meaningless promotions, bare appeals to buy anything and advertising exaggerations which are not taken seriously by the appealed potential consumer have to be regarded as advertisements.<sup>132</sup>

In contrast, no statement in the sense of advertising is a bare factual action without any explanatory power.<sup>133</sup>

Since „each“ statement is sufficient, the statement can be made in any desired form. Written, visual, acoustical, direct, indirect or implied messages fulfil the requirement equally.<sup>134</sup>

The statement may also be stated on the product itself or be the result of the product’s designation or features.<sup>135</sup>

When using trade mark protected product designations and features, trade mark law does not have primacy with respect to competition law in relation to comparative advertising.<sup>136</sup> Also a comparative demonstration or product test qualifies as an advertising statement.<sup>137</sup>

The concealment of actual facts is equal to an actual statement according to § 5a UWG. Art. 7 of the Directive 2005/29/EC about Unlawful Commercial Practices contains a detailed regulation in this context, which also is applicable concerning misleading comparative advertising towards consumers, in terms of art. 4 lit. a Directive on Comparative Advertising.

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<sup>132</sup> See also art 5 (3) (2) Directive 2005/29/EG on unlawful commercial practices: “The usual and lawful advertising practice to make exaggerated statements or statements not to be taken literally, is not addressed.”

<sup>133</sup> art 8 Directive 2005/29/EG.

<sup>134</sup> EuGH, 25.10.2001 GRUR 2002, 354 - Toshiba/Katun; BGH, 02.12.2004 I ZR 273/01 Bestellnummernübernahme; BGH, 05.02.2004 WRP 2004, 739 Genealogie der Düfte.

<sup>135</sup> BGH, 06.12.2007 GRUR 2008, 726 Duftvergleich mit Markenparfüm; BGH, 06.12.2007 GRUR 2008, 628 Imitationswerbung;

<sup>136</sup> BGH, 06.12.2007 GRUR 2008, 726 Duftvergleich mit Markenparfüm; BGH, 06.12.2007 GRUR 2008, 628 Imitationswerbung.

<sup>137</sup> See OLG Hamburg, 24.02.2005 Magazindienst 2005, 1346 - OP-Abdecktücher.

Even if the terms “statement” and thus “advertisement” have to be interpreted in a broad way, they are still stricter than the term “commercial practices” which is defined in art. 2 lit. d of the Directive 2005/29/EC as “every action, omission, conduct or declaration, commercial message including a trader’s advertising and marketing, which is directly related to promoting sales, disposing or delivering a product to a consumer.”

### **In the course of trade, industry, craft, or liberal profession**

The statement further has to be made during the course of trade, industry, craft or liberal profession, ie targeted and in relation with a professional or entrepreneurial activity. It is not sufficient that the statement merely is made by chance during professional practices without any reference to the business. Not only company holders and their legal representatives act “in the course of trade,“ but also their staff and others which are concerned with the fulfilment of business activities.<sup>138</sup>

The Directive about Unfair Commercial Practices, which also shall be applied for the assessment of misleading comparative advertisements towards consumers, clarifies explicitly this interpretation in its art. 2 lit. b, defining the term “trader”. Hereafter a trader is “every natural or legal person that acts within its commercial, artisanal or professional functions, in the course of trade and every person that acts in the name or on behalf of the trader”.

Merely private actions, eg a friend’s recommendation to buy a certain product does not fall within the scope of an advertisement in terms of competition law. However, such private action is not on hand if the lay advertiser receives a remuneration for his activity and thus manages an own business or if he is an employee or delegate of the business promoted by his actions.

### **Increase of sales and providing services**

The statement must aim at increasing sales or promoting services, including immovable items, rights and obligations. According to the German Federal Supreme Court, this requires, on the one hand, objective suitability to benefit one person’s sales and promoting services and to another person’s detriment and on the other hand, it shall require the intention to promote own competition to another’s

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<sup>138</sup> Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 59

detriment, if this intention does not completely step back behind other motivations.<sup>139</sup> Herewith the German Federal Supreme Court transfers the interpretation of the criterion “act of competition” in terms of § 3 UWG (former version) to the conception of advertising in § 6(1)UWG. The question arises whether this is compatible with the Directive on Comparative Advertising, because the wording only focuses the subjective component and also the criterion required by the German Federal Supreme Court “to another’s detriment” is not mentioned in art. 2 lit. a Directive (contains the definition for advertising).<sup>140</sup>

Thus, the term “business act” which now is used in § 3 UWG (new version, general clause for unlawful competition) should only be considered in the context of § 3 UWG and not when examining the term „advertising“, in the sense of § 6(1) UWG.

Regularly, the statement has to be targeted on the conclusion of a contract about selling goods or promoting services, without the necessity that the contract actually will be concluded or that competitors actually suffer prejudice.<sup>141</sup> Furthermore, it is not necessary that the contract conclusion is the direct consequence of the statement’s intention. Since selling and rendering shall only be encouraged, it is sufficient that the statement aims at contributing in any supporting way, with respect to the conclusion of contract. The further necessity of measures and intermediate steps does not hamper this since any little benefit is adequate.

Also statements targeted on processing, fulfilment and maintenance of an already existing contract, serve the increase of sales and rendering services and hence fall under the scope of advertising, eg statements concerning payment terms, delivery or warranty.

Although the objective must be the increase of sales and rendering services, it is not required that the advert itself has to contain statements related to the advertiser or his goods or services.<sup>142</sup> All products which can be subject matter of business transactions, including any right, qualify as goods or services. Rights mean inter alia co-ownership, rights of use and enjoyment, social rights, industrial property rights

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<sup>139</sup> BGH 09.02.2006 WRP 2006, 1109, 1111 Rechtsanwalts-Ranglisten.

<sup>140</sup> Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 59.

<sup>141</sup> See recital 4 Directive 2006/114/EG.

<sup>142</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 33.

and intellectual property such as know-how or goodwill.<sup>143</sup> Further ancillary rights connected to a purchase contract qualify as included rights, eg the financing of the purchase by credit or deferment, like “buy now, pay in two months”.

All actions that are provided for another person or that shall benefit another person, qualify as services. Activities which are part of contracts for work or services, fiscal or governmental actions as well as financial and brokering services fall under the scope of services in terms of the definition for advertising.

Also activities that are needed to first allow sales and promoting services fall under the term „services“ in the sense of art. 2 Directive on Trade Marks, as the European High Court stated:<sup>144</sup> Hereafter the business comprises in addition to the purchase contract the total activity which an economic operator displays to encourage the conclusion of a trade. This activity in particular consists of the selection of a range of products, which are offered for sale and of the offer of services which shall induce consumers to conclude the purchase contract with the advertising trader and not with one of his competitors.

To avoid contradictions between the Directives on Trade Marks and on Comparative Advertising, it is necessary to interpret the term „services“ uniformly. Hence, as services *inter alia* qualify the selection of the range, the manner of goods presentation (includes information about the presentation online and in the store, geographical position, business hours which therefor is not merely enterprise related<sup>145</sup>), the consulting service, the granting of additional information material, the offer to pre-test the products or to return them, the supply of a service-hotline and of a repair-service as well as delivery and shipping services.

### **Recipients of statement**

Addressee of the statement must be a person that is suitable to achieve the aim to increase sales and supplying services. First of all, this means consumers and

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<sup>143</sup> Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 93.

<sup>144</sup> EuGH, 07.07.2005 GRUR 2005, 764 - Praktiker.

<sup>145</sup> Pfeifer, WRP 2011, 1, 2: „Angabe einer Bäckerei, dass sie „gegenüber dem Supermarkt S“ (der gleichfalls eine Bäckereiabteilung beherbergt) belegen sei.“

entrepreneurs as end-customers, but further as well resellers and sales consultants which ensure that products reach the end-customer.<sup>146</sup>

Even though, advertising usually is addressed to a large number of potential customers, ie is public, it is sufficient that a certain statement only is directed to a single person.<sup>147</sup>

Regarding the admissibility of advertising, it matters to which specialized sector of public it is directed to. This is because, to answer the question whether it's meaning is comprehensible or not, one has to focus on the model of an average well-informed, considerate and reasonable person. This standard varies comparing end-users and expert-traders or entrepreneurs.<sup>148</sup>

When examining comparative statements that are directed to a single consumer, his perspective matters significantly.

### **Advertising and relation of goods and services**

The term “advertising” barely refers to – distinguished from the term “business act” in the sense of § 2 (1) No.1 UWG – the sale of products, not also receiving them. Thus, the rarely occurring comparative advertising by customers is not covered by the Directive on Comparative Advertising, which rather focuses on sale advertising. Its great importance and thus its need for regulations, is in the focus of the European legislator.<sup>149</sup> Hence, an extension exceeding the directive's wording that includes comparative advertising done by customers is not admissible.<sup>150</sup>

### **Content-related requirements and examples**

Contract offers and the direct emphasizing of characteristics and quality features of certain goods or advantages of certain services including their prices fall under the scope of advertising. Also the mere advertising for attention, enterprise-related advertising and sponsoring measures without any direct links to products, benefit sales by pointing to the advertisers business and by giving positive impressions to

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<sup>146</sup> BGH, 05.02.2004 GRUR 2004, 607 - Genealogie der Düfte.

<sup>147</sup> BGH, 15.10.1998 GRUR 1999, 501, 502 Vergleichen Sie; BGH, 05.02.2004 GRUR 2004, 607 - Genealogie der Düfte; BGH, 05.02.1998 GRUR 1998, 824 - Testpreis-Angebot.

<sup>148</sup> BGH, 15.10.1998 GRUR 1999, 501, 502 Vergleichen Sie; BGH, 05.02.2004 GRUR 2004, 607 - Genealogie der Düfte; BGH, 05.02.1998 GRUR 1998, 824 - Testpreis-Angebot.

<sup>149</sup> Recital 6 Directive 2006/114/EC.

<sup>150</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 35; different Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 63.

consumers which may result in the decision to purchase certain products. Usually the product designation<sup>151</sup> and presentation<sup>152</sup>, respectively the packaging design, constitutes an advertisement.<sup>153</sup> Furthermore, barely criticizing a competitor fulfils the requirements for advertising because it constitutes an indirect contribution to sale promoting. A fortiori, this is true if criticizing a competitor is accompanied by the expression, that the criticism would not be eligible regarding the advertiser.

Also giving information upon a customer's request in a personal sales conversation is covered by the wide interpretation of advertising.<sup>154</sup>

However, the publication of neutrally comparing product-test results by consumer associations, such as „Stiftung Warentest“ in Germany, do generally not qualify as advertising.<sup>155</sup> They shall provide a neutral and objective market overview for consumers and shall not aim at promoting competition of a certain enterprise. Even if positively or negatively outstanding results may have a big influence on the sales of these products, this does not establish the testing agency's intention to promote competition in any way.

In contrast, if the enterprises whose products have been tested use the test results in public to present themselves, eg as the test-winner, then advertising is on hand since this action serves the increase of sales. Hence, not the test itself and its publication constitute advertising but rather the reference given by a test-affected person or enterprise.<sup>156</sup>

The same is true for third person's statements which actually do not promote sales but are embraced by a certain company and are strategically used in a commercial way.<sup>157</sup>

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<sup>151</sup> BGH, 06.12.2007 GRUR 2008, 726 Duftvergleich mit Markenparfüm; BGH, 06.12.2007 GRUR 2008, 628 Imitationswerbung.

<sup>152</sup> OLG Frankfurt, 16.09.2010 MarkenR 2011, 188.

<sup>153</sup> BGH, GRUR 2002, 75 - „SOOOO ... BILLIG!“?; different Köhler, GRUR 2005, 273, 276 f.

<sup>154</sup> BGH, 05.02.2004 GRUR 2004, 607 Genealogie der Düfte.

<sup>155</sup> BGH, 23.04.1998 GRUR 1999, 69 Preisvergleichsliste II.

<sup>156</sup> BGH, 17.01.2002 GRUR 2002, 633 Hormonersatztherapie.

<sup>157</sup> Ibid.

### **10.1.2 Recognizability of a competitor or his products**

According to the legal definition of comparative advertising, in terms of § 6(1) UWG and art. 2 lit. c Directive on Comparative Advertising, comparative advertising requires the advertisement to give direct or indirect reference to a competitor or to his goods or services (identifying comparative advertising). This definition has to be interpreted widely, as well as the definition of advertising itself.<sup>158</sup>

#### **Competitor**

First of all a competitor relationship requires diversity between the person of the advertiser and the competitor. Hence, comparing two own products cannot be measured on the requirements for comparative advertising. However, different enterprises which are both part of the same corporate group can have a competitive relationship.<sup>159</sup> Even if the definition in §6(1) UWG and art.2 lit.c of the directive only mentions „one“ competitor, the provisions dealing with comparative advertising are applicable as well if more than one competitor is affected by a comparison.<sup>160</sup>

According to the decision “*De Landtsheer Emmanuel*” of the European High Court, a person or company qualifies as a competitor, in terms of art.2 lit.c Directive, if his goods or services are substitutable with those of the advertiser. The definition in §6(1) UWG has to be interpreted equally to correspond with the directive. Therefore, the question arises when substitutability exists.

The goods or services offered on the market by two companies have to serve the same needs, to a certain extent.<sup>161</sup> It is not possible to determine a competitive relationship which is independent regarding the offer of goods or services of the company identified by the advertisement.<sup>162</sup>

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<sup>158</sup> Recital 8 Directive 2006/114/EG.

<sup>159</sup> Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 78.

<sup>160</sup> EuGH, 19.04.2007 GRUR 2007, 511 *De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne*.

<sup>161</sup> *Ibid.*

<sup>162</sup> *Ibid.*

Substitutability has to be on hand at least for a certain part of the offered products.<sup>163</sup> Furthermore the existence and extent of substitutability must be proven by specific principles:<sup>164</sup>

- market situation (Evaluation of the market situation and consumer's buying habits during the time of publishing the advertisement)
- market area (evaluation of the distribution area of the advertisement)
- product characteristics (Evaluation of concrete characteristics of the advertised products, including the image which the advertiser tries to create for his products)

Since consumers' needs can vary in respect of a product and its intended purpose, advertising can increase this variety by emphasizing certain product features or emphasizing a certain operating purpose. Hence, the comparison of flowers and coffee for example usually would not create substitutability when regarding the primary purpose of use. However, regarding the probably advertisingly emphasized suitability of both, flowers and coffee to be used as presents, a certain extent of substitutability can be found. Thus, substitutability does not have to exist from the outset and can rather be created by concrete advertising measures.<sup>165</sup>

Nevertheless, the requirements for substitutability must not be lowered too much, since an average-informed, reasonable consumer still must seriously consider an exchange of the products.<sup>166</sup>

### **10.1.3 Identifying competitors or their goods or services**

Since comparative advertising only exists if an advertisement identifies either directly or indirectly a competitor or his goods or services, it is required that a – not totally insignificant – part of the target public regards the competitor as affected by the comparison.<sup>167</sup> The reference must be that clearly that it imposes on the intended consumers.<sup>168</sup> Since only the intended consumers view counts in concern of the

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<sup>163</sup> EuGH, 19.04.2007 GRUR 2007, 511 Tz. 33 De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne.

<sup>164</sup> Ibid.

<sup>165</sup> BGH, 12.01.1972 GRUR 1972, 553 Statt Blumen ONKO-Kaffee.

<sup>166</sup> BGH, 17.01.2002 GRUR 2002, 828 Lottoschein.

<sup>167</sup> BGH, 25.03.1999 GRUR 1999, 1100 Generika-Werbung; BGH, 19.09.1996 Energiekosten-Preisvergleich II.

<sup>168</sup> BGH, 25.04.2002 GRUR 2002, 982 - DIE „STEINZEIT“ IST VORBEI!

assessment of reference, it does not matter whether the advertiser actually had the intention to identify a competitor or his products.<sup>169</sup>

### **Direct identification**

A competitor is directly identified if he or the goods or services he offers are explicitly identifiable, without enlistment of further information, especially by mention a name, firm or trademark or another product designation, like original order numbers or product illustrations.<sup>170</sup>

### **Indirect identification**

Indirect identification is given if a clearly recognizable reference to at least one determined competitor, or his goods or services has been created, without namely mentioning, and if a not totally insignificant part of the target public is of the opinion that the comparison affects him.<sup>171</sup>

An absurd, just „thought around the corner“ reference, is not sufficient because otherwise the term „comparative advertising“ would be extended endlessly.<sup>172</sup>

### **Connecting factors**

Indirect identification can be the result of various facts and characteristics, e.g.:

- Using a sign confusingly similar to the competitor's trademark<sup>173</sup>
- Depending on a competitor's advertisement known in public, in relation to time and place of the advertisement<sup>174</sup>
- Mentioning the producing or selling place of a competitor<sup>175</sup>
- Displaying the premises of a competitor<sup>176</sup>

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<sup>169</sup> BGH, 25.03.1999 GRUR 1999, 1100 Generika-Werbung; BGH 05.12.1996 GRUR 1997, 539 Kfz-Waschanlagen; BGH 14.12.2000 GRUR 2001, 752 Eröffnungswerbung; BGH, 21.06.2001 GRUR 2002, 75 - „SOOOO ... BILLIG!“?; BGH 25.04.2002 GRUR 2002, 982 - DIE „STEINZEIT“ IST VORBEI!

<sup>170</sup> BGH, 17.01.2002 GRUR 2002, 828 Lottoschein.

<sup>171</sup> BGH, 25.04.2002 GRUR 2002, 982 DIE „STEINZEIT“ IST VORBEI!; BGH, 25.03.1999 GRUR 1999, 1100 Generika-Werbung.

<sup>172</sup> BGH, 06.12.2007 WRP 2008, 930 Imitationswerbung; BGH, 25.04.2002 GRUR 2002, 982 - DIE „STEINZEIT“ IST VORBEI!; BGH, 21.06.2001 GRUR 2002, 75 - „SOOOO ... BILLIG!“?; BGH, 25.03.1999 GRUR 1999, 1100 Generika-Werbung.

<sup>173</sup> EuGH, 12.06.2008 GRUR 2008, 698 O2/Hutchinson.

<sup>174</sup> OLG Frankfurt, 13.01.2000 GRUR 2000, 621, 622.

<sup>175</sup> OLG Hamm, 11.12.1975 GRUR 1977, 38 („Düsseldorfs größtes Möbelhaus steht in Mönchengladbach“ als Hinweis auf die Möbelhäuser in Düsseldorf)

<sup>176</sup> EuGH, 08.04.2003 GRUR 2003, 533 Pippig Augenoptik/Hartlauer.

- Giving a hint concerning the affiliation to a certain group<sup>177</sup>
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### **Self-promotion**

As long as the advertiser limits his advertising statements on praising his own product or service without showing interest in the competitor or his products, he usually does not carry out a comparison since an indirect identification is missing.<sup>178</sup> This is because consumers are aware of the usual advertising purpose to emphasize the advantages of the advertisers own products and do not value this as comparison with rivalry.<sup>179</sup> However, a reference may still be given if the advertiser does not restrict his advert to the emphasis of own performance, rather than intensifies the emphasis by aimed aggressions towards a competitor, eg by highlighting that own products do not have certain disadvantages.

### **Comparison as unwritten requirement for comparative advertising**

When answering the question, whether comparative advertising is on hand or not, there are doubts whether an actual comparison is a requirement. Neither the legal definition for comparative advertising in art.2 lit.c Directive on Comparative Advertising, nor § 6(1) UWG explicitly state the requirement „comparison“ in the definitions. According to the provisions' wording, only identifying competitors or their products is required but no comparative contrast of the goods and services or competitors.

However, art. 4 of the directive and § 6(2) UWG, which state the prerequisites for legitimate comparative advertising, require a comparison. Otherwise the advertisement in question would fall out of the scope of permissible comparative advertising.

As a consequence certain forms of advertising like personal-related or enterprise-related adverts or a mere criticism of a competitor would qualify as comparative advertising in terms of § 6(1) UWG and art. 2 lit.c directive, but their admissibility would always fall at the hurdle “comparison” concerning §6(2) UWG and art. 4.

<sup>177</sup> OLG Jena, 20.04.2005 NJW 2005, 2089, 2090.

<sup>178</sup> BGH 25.04.2002 GRUR 2002, 982 - DIE „STEINZEIT“ IST VORBEI!; BGH 21.06.2001 GRUR 2002, 75 - „SOOOO ... BILLIG!“?; BGH , 25.03.1999 GRUR 1999, 1100 Generika-Werbung.

<sup>179</sup> BGH, 25.03.1999 GRUR 1999, 1100 Generika-Werbung.

To avoid this consequence two possibilities are conceivable. On the one hand, a comparison can be regarded as an unwritten requirement of § 6(1) and art. 2 lit. c. Each advertisement which just refers back but does not contain a comparison would fall out of the scope of comparative advertising, and thus measured by national unfair competition law.

On the other hand, a different approach concerning the requirements for permissibility of comparative advertising would be conceivable, in the sense that also just referring advertising fulfils the requirements in general.<sup>180</sup>

## **10.2 Jurisdiction of the German Federal Supreme Court**

The jurisdiction of the German Federal Supreme Court concerning this problem is inconsistent, since several decisions in the area of 1999 until today, show different approaches. In the decision “*Alluminiumräder*” the court held that a mere reference to a competitor or his products would not qualify as comparative advertising since a lineup of sales alternatives was missing.<sup>181</sup> In later decisions the court stated that it would be insignificant whether a comparison between the advertiser and a competitor or his products is made.<sup>182</sup> However, this could not be regarded as renunciation from the former jurisdiction since the decision “*Coaching Newsletter*” from 2013 contains the approach that comparative advertising requires in addition to the identification of concrete competitors a compulsory comparison of the offered substitutable products.<sup>183</sup>

As consequence of this inconsistency the jurisdiction of the European High Court must be considered to achieve a suitable result.

## **10.3 Jurisdiction of the European High Court**

### **Toshiba/Katun**

In the case *Toshiba/Katun* the defendant marketed spare parts for photocopiers which were sold by the plaintiff. The defendant presented lists containing the spare parts and the designation of the plaintiff's main product as well as original product

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<sup>180</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 96.

<sup>181</sup> BGH, 15.07.2004 GRUR 2005, 163 Aluminiumräder.

<sup>182</sup> BGH, 06.12.2007 WRP 2008, 930 Imitationswerbung; BGH, 20.09.2007 WRP 2008, 666 Saugeinlagen.

<sup>183</sup> BGH, 19.05.2011 GRUR 2012, 74 Coaching Newsletter.

numbers of the spare parts belonging to it and produced by the plaintiff. The objective was to identify the defendants own products and corresponding numbers opposed to the numbers of the original spare parts.<sup>184</sup>

The European High Court concluded from the definition in art.2 lit. c and recital 6 of the directive (states that the term comparative advertising shall be interpreted widely to cover all forms of comparative advertising), that it is sufficient if an advertisement identifies competitors or their offered products. Whether there is a comparison between goods and services of both or there is not shall not be significant.<sup>185</sup>

The European High Court also was aware of the fact that the requirement of an actual comparison for comparative advertising would result in the inadmissibility of advertisements which just name a competitors trade mark. This would cause a contradiction to the Directive on Trade Marks, since using another person's trade mark to inform consumers about nature, characteristics, value and purpose of goods or services is permitted.<sup>186</sup> Even if the initial event was not about a mere naming of a trade mark, the European High Court refused a literal interpretation. Bearing in mind the directive's objectives the court concludes that the requirements for comparative advertising have to be regarded in its most favourable sense for comparative advertising.<sup>187</sup>

In the concrete case the European High Court stated that the contrast of product numbers and the assertion of equality concerning technical features, would create a comparison of substantial, relevant, verifiable and typical characteristics, in terms of art. 4.

### **Other decisions**

In further decisions, such as *Pippig Augenoptik/Hartlauer* and *De Landtsheer Emmanuel/Comité Interprofessionell du Vin de Champagne* the European High Court maintained its approach on the interpretation but held further that each comparative advertisement shall emphasize the advantages of the products offered by the advertiser in relation to those of the competitor. To achieve this, the

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<sup>184</sup> EuGH, 25.10.2001 GRUR 2002, 354 - Toshiba/Katun.

<sup>185</sup> Ibid.

<sup>186</sup> See art 6 Trade Mark Directive 2008/95/EC.

<sup>187</sup> EuGH, 25.10.2001 GRUR 2002, 354 Toshiba/Katun.

advertisement needs to highlight the differences between the products by describing the main qualities. Hence, such description would inevitable contain a comparison.<sup>188</sup>

Furthermore, in the decision *O2/Hutchinson* the European High Court referred back, when determining comparative advertising, to the *Toshiba/Katun* decision as well as he did in the decision *L'Oréal/Bellure* where he considered comparing lists for parfumes as comparative advertising.<sup>189</sup> In the decision *Lidl/Vierzon* the court stated again that setting out contrasting competing offers would be immanent to comparative advertising.<sup>190</sup>

The argumentation presented above is applicable to oppose the requirement “comparison” for the definition in terms of § 6 (1) UWG. If a comparison would be required in § 6 (1) UWG, the same requirement again in § 6 (2) Nr. 1 and Nr. 2 was redundant.

Furthermore the Directive on Comparative Advertising aims at full-harmonizing European law which means that its interpretation is incumbent on the European High Court. Since the courts approach on comparative advertising is clear there is no scope of interpretation towards an interpretation that claims a comparison in its strict sense.<sup>191</sup>

With regard to the idea that comparative advertising is able to make an important contribution to consumer information by outlining important advantages and also disadvantages of certain products, this decision is appreciated. As consequence of the wide interpretation of comparative advertising a bigger group of advertisements has to be measured by the requirements for permissible comparative advertising contained in art. 4 Directive on Comparative Advertising and §6(2) UWG.

How these requirements can promote qualified and beneficial consumer information will be presented below, by examining the catalogue of prohibitions provided in art. 4 and § 6(2) UWG.

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<sup>188</sup> EuGH, 08.04.2003 GRUR 2003, 533 Pippig Augenoptik/Hartlauer; EuGH, 19.04.2007 GRUR 2007, 511 De Landtsheer Emmanuel/Comité Interprofessionnel du Vin de Champagne.

<sup>189</sup> EuGH, 12.06.2008 GRUR 2008, 698 *O2/Hutchinson*; EuGH, 18.06.2009 GRUR 2009, 756 *L'Oréal/Bellure*.

<sup>190</sup> EuGH, 18.11.2010 GRUR 2011, 159 *Lidl/Vierzon*.

<sup>191</sup> Plaß in: HK-WettbR, § 6 Rn. 44; Faßbender, EuZW 2005, 42 f.; Menke in: MünchKomm-UWG, § 6 Rn. 77, 99.

#### **10.4 Dishonesty and unlawfulness of comparative advertising**

§6(2) UWG contains a catalogue of prohibitions for comparative advertising. Herewith the German legislator takes account of the European Directive on Comparative Advertising on the one hand and on the other hand the Directive on Trade Marks.

The prohibitions restrict comparative advertising to an extent that is necessary to balance conflicting interests. Especially consumers' interests are taken into consideration. Even though the permissibility of comparative advertising shall benefit consumer information, also its limitation to a certain extent is necessary to ensure the quality of information consumers are exposed to by advertising. It is assumed that only certain forms of comparative advertising are helpful for consumers to make a careful, elaborated and reasonable purchase decision.

Most points of §6(2) UWG can also be found in number 7 of the Code of the South African Advertising Standards Authority.<sup>192</sup>

§6(2) UWG provides as follows:

*An unlawful activity is committed, by advertising comparatively, if the comparison*

- 1. does not give reference to goods or services for the same needs or the same intended purpose*
- 2. does not objectively refer to one or more substantial, relevant, verifiable and typical characteristics or to the price of goods and services*
- 3. leads in the course of trade to the danger of confusion concerning the advertiser and a competitor or their goods or services or their signs*
- 4. unlawfully exploits or prejudices the reputation of a competitors sign*
- 5. disparages or denigrates the goods, services, activities or personal or commercial situation or a competitor, or*
- 6. presents a good or a service as imitation or reproduction of a good or a service which is distributed under a protected sign.*

Because of the interest of consumers in gaining advantages through comparisons of products and hence the promotion of competition between suppliers, the

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<sup>192</sup> See above at 6.1.

requirements for comparative advertising must be interpreted in its most favourable sense.<sup>193</sup> A narrow interpretation is not required for reasons of flexibility in individual cases.

#### **10.4.1 Goods and services with a similar intended purpose**

Goods and services have a similar intended purpose if they are substitutable to a certain amount, as already presented above in relation to the definition of competitors.<sup>194</sup>

#### **10.4.2 Substantial, relevant, verifiable and typical characteristics**

Substantial means that the characteristic is not completely irrelevant concerning a product's use.<sup>195</sup>

A capacity is relevant if it is able to influence the purchase decision of a number of interested consumers that is not completely negligible.<sup>196</sup>

The requirement „verifiable“ has the purpose to make the advertising comparison verifiable concerning its factual legitimacy. The advertised characteristic must at least contain a „core fact“. Its correctness must be able to be reviewed by either the targeted consumers or by an expert.<sup>197</sup>

Furthermore, atypical feature must shape the characteristics of the compared products concerning their purposes from a consumer's view. It must be representative or meaningful for the product's value in total.<sup>198</sup>

#### **10.4.3 Danger of confusion**

A danger of confusion is given if the target public may receive the impression that the goods and services in question originate from the same company or from commercial connected companies.<sup>199</sup>

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<sup>193</sup> See recital 6 Directive 2006/114/EC..

<sup>194</sup> See above at 10.1.2.

<sup>195</sup> BGH, 01.10.2009 GRUR 2010, 387 Gib mal Zeitung; BGH, 30.09.2004 GRUR 2005, 172 Stresstest; BGH, 05.02.2004 GRUR 2004, 607 Genealogie der Düfte.

<sup>196</sup> BGH, 01.10.2009 GRUR 2010, 387 Gib mal Zeitung; BGH, 30.09.2004 GRUR 2005, 172 Stresstest.

<sup>197</sup> EuGH, 19.09.2006 WRP 2006, 1348 Lidl Belgium/Colruyt; BGH, 01.10.2009 GRUR 2010, 387 Gib mal Zeitung; BGH, 07.12.2006 WRP 2007, 772 Umsatzzuwachs; BGH, 30.09.2004 GRUR 2005, 172 – Stresstest.

<sup>198</sup> BGH, 01.10.2009 GRUR 2010, 387 Gib mal Zeitung; BGH, 30.09.2004 GRUR 2005, 172 - Stresstest; BGH, 05.02.2004 GRUR 2004, 607 - Genealogie der Düfte.

Usually, advertisers who compare goods or services try to avoid confusion, or the danger thereof, since distinguishing the products to highlight advantages of own products is their main purpose.<sup>200</sup>

#### **10.4.4 Exploitation of reputation**

The European Court of Justice is of the opinion that exploitation of reputation in terms of comparative advertising means the same as it means regarding trade mark infringement.<sup>201</sup>

The reputation of a sign means every positive moral concept that consumers connect with the sign.<sup>202</sup> A certain degree of publicity of the sign is not required.

The reputation of a sign is exploited if its use causes the association between the advertiser and the competitor in the view of targeted consumers. The association must cause a transfer of the competitor's image to the advertiser or his products.<sup>203</sup>

#### **10.4.5 Disparagement / denigration**

Disparaging a competitor means diminishing the appreciation of goods, services, activities or of personal or commercial situations of a competitor. The enhanced form of disparagement is denigration which is present if a competitor or his products is belittled or if the advertiser took a rise out of him. Also a presentation with an offensive, distasteful connection qualifies as denigration.<sup>204</sup>

Since humor and irony is not unimportant in advertising and necessary to create appealing, attractive adverts, this is permissible in general, as long as it does not amount to disparagement in the individual case. Hereby one has to focus on the total factual connection and the understanding of an average-informed and reasonable consumer.<sup>205</sup>

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<sup>199</sup> EuGH, 12.06.2008 GRUR 2008, 698 O2/Hutchinson.

<sup>200</sup> *Ohly*, GRUR 2008, 701.

<sup>201</sup> See art 5 (2) Directive 2008/95/EC, § 14 Abs. 2 Nr. 3 MarkenG; EuGH, 18.06.2009 GRUR 2009, 756 L'Oréal/Bellure.

<sup>202</sup> Dittmer in: Büscher/Dittmer/Schiwy, Gewerblicher Rechtsschutz Urheberrecht Medienrecht, § 6 UWG, Rn. 55; Köhler in Köhler/Bornkamm, UWG, § 6 Rn. 152; Ohly in Piper/Ohly/Sosnitza, UWG, § 6 Rn. 61.

<sup>203</sup> EuGH, 25.10.2001 GRUR 2002, 354 - Toshiba/Katun; BGH, 01.10.2009 GRUR 2010, 161 Gib mal Zeitung; BGH, 02.12.2004 GRUR 2005, 348 Bestellnummernübernahme.

<sup>204</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 186.

<sup>205</sup> BGH, 17.01.2002 GRUR 2002, 828 Lottoschein.

Moreover, trust in the average-consumer has to be taken into account because he is increasingly used to pointed statements in adverts and experiences them as a part of vigorous competition.<sup>206</sup>

#### **10.4.6 Imitation and reproduction**

Imitation or reproduction arises if the advertiser (imitator) presents his products as imitation, respectively reproduction of a competitor's (original) products that are protected by a sign. According to the directive the sign – in this case – must be a registered trademark or a well-known trademark.<sup>207</sup>

The more characterizing features of the original product are included in the imitating product in an equal or similar manner, the more likely an (implied) imitation is given.

The mere assertion that the products are of the same quality is not sufficient.<sup>208</sup> This is important for consumers with regard to advertising in the pharmaceutical area when generics are advertised. Mentioning that they are of equal quality to original pharmaceuticals (which are not anymore specially protected by a patent) hence is not prohibited.<sup>209</sup> Also spare parts and accessories are allowed to be advertised as equal to the original spare parts.<sup>210</sup>

Eventually the unlawfulness has to be found by balancing the interests of the advertiser, affected competitors and consumers. Here the legitimate function of comparative advertising to inform consumers objectively and the principle of proportionality must be considered.<sup>211</sup>

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<sup>206</sup> BGH, 01.10.2009 GRUR 2010, 161 Gib mal Zeitung.

<sup>207</sup> BGH, 05.05.2011 GRUR 2011, 1153 Creation Lamis.

<sup>208</sup> Ibid; BGH, 28.03.1996 GRUR 1996, 781 Verbrauchsmaterialien; BVerfG, GRUR 2001, 1058 - Therapeutische Äquivalenz.

<sup>209</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 210; Köhler in: Köhler/Bornkamm, UWG, § 6 Rn. 189; see also BVerfG, 01.08.2001 GRUR 2001, 1058 Therapeutische Äquivalenz.

<sup>210</sup> Sack in: Harte/Henning, UWG, § 6 Rn. 210; EuGH, 25.10.2001 GRUR 2002, 354 Toshiba/Katun.

<sup>211</sup> BGH, 28.09.2011 GRUR 2011, 1158 Teddybär.

## **11. Evaluation of South African, European and German law affecting comparative advertising**

### **11.1 Commonalities**

Legislators no matter whether in South Africa, Germany or those of the European Union are aware of the fact that comparative advertisements can be important sources of information for consumers. The usual objective of comparative advertising is highlighting certain product features in relation to other products. Thus, the comparison which consumers are required to make each time when they have to make a purchase decision, is partially taken over by the advertisers. Often facts, about competitors or their products are emphasized which otherwise would not be supplied to consumers since producer only use advantageous characteristics of their own products in advertising. If competitors are allowed to direct the consumer's attention as well on less favourable characteristics of a product through appropriate advertising, the final purchase decision will be based on a broader, more differentiated, selection of criteria related to the products or producers.

However, to achieve better consumer information and thus reasonable purchase decisions influencing competition on the market, not only the quantity of information reaching consumers is important but as well its quality. Comparative advertisements which are able to cause false, misleading or confusing information therefore fall out of the ambit of permissible comparative advertising. They benefit neither consumer information nor competition on the market. The South African law tries to provide a high level of informative and qualitative advertising by applying the common law on unfair competition for comparative advertising. Measuring comparative advertisements on the criteria of fairness and honesty aims at preventing false and misleading advertising that is too offensive and that does not promote anymore reasonable consumer information and a fortiori no fair competition. A similar purpose forms the base of the German Act against Unlawful Competition (implementing the corresponding European Directive) which includes a catalogue of permissibility requirements for comparative advertising, aiming at maintaining fair competition despite allowing comparative advertising. As a result, the objectives and purposes of the different laws do not differ significantly.

Also in respect of trade mark law quite similar approaches arose. Despite of encouraging comparative advertising the main function of trade marks, its guarantee

of a products origin, has been emphasized in the jurisdiction of South African, German and European courts. Its protection must be assured to trade mark owners, since it provides the actual value of a registered mark. All effort spent by producers to create certain product images, quality and consumer attracting features is bind to the sign that is noticed by consumers and that constitutes the relation to a certain product origin. Diminishing this value by through comparative advertising would question the total purpose of trade mark registration. Even with respect to informative advertising, trade mark protection must not move back further than to its core principles. Not only consumer information and allowing competitive behaviour benefits a nations market, but also the incentive to spend effort, money and labour in creating characteristic, attractive products of high quality. This incentive will fall if the possibilities to benefit from made efforts is restricted too sharply.

## **11.2 Differences**

While the main legal approach on the question in which boundaries comparative advertising shall be lawfully appears to be similar, the legal implementation varies more significantly between South Africa and Germany.

Due to the fact, that the law about unlawful competition is regulated by statutory provisions in Germany, the level of differentiation between the certain requirements that must be present to create comparative advertising is high. The German Act against unlawful competition contains a general definition for comparative advertising which has been exactly determined in a large number of court decisions. There is jurisdiction available related to each word of the definition, examining the exact scope of application. The same is true for the statutory provided cases in which comparative advertising is unlawful. When creating and publishing an advertisement, advertisers and as well affected competitors can rely on these definitions to figure out whether the advertisement might be unlawful or whether it might not qualify as comparative advertising and thus has to be measured by different provisions. As a consequence a high level of legal certainty in the law of unlawful competition is present. On the other hand, the variety of individual cases as well as changes in the society concerning advertising practices and the level of confrontation with adverts, may require adaptable laws, in an area influenced by the fast moving nature of media nowadays. More flexibility concerning the law of unlawful competition is present in South Africa, where the criteria for an Aquilian Action including the infringement of

a competitor's right to attract custom or goodwill as well as the terms fairness and honesty that are wide, difficult to define and that allow various interpretations, enable this adaptation. Also the lack of cases dealing with comparative advertising in the sense of unlawful competition that had to be decided by South African courts leads to flexibility in the application of the law about unlawful competition in this area. The quantity of rulings made by the self-regulated Advertising Standards Authority indeed indicates the sense of unlawfulness existing between advertisers, thus, in the crucial section of society and should be considered by the courts when determining the *boni mores* for unlawful competition regarding comparative advertising. But there is no safety for advertisers and competitors – if it comes to a proceeding in front of a court – whether the decision will exactly be based on eg the Advertising Code or on the former court decision, rather than on a decision made by the European Court of Justice or by an English court. The consequence is not that this procedure will have negative effects on comparative advertising and its advantages, since in this way, changings in the own society or comparable societies, trading partners can directly be taken into consideration by the courts. However, it still leads to lower legal certainty as it arises out of statutory provisions, elaborated in detail by a range of jurisdiction of highest courts, followed by the lower ones. On the other hand, it may be an additional advantage of a law developed by the courts, that it is less exposed to certain political interests, since politicians as legislators can be influenced by lobbying, which may precipitate in legal statutes they establish.

However, since the *boni mores* are determined by the standards of fairness and honesty just of that field in which the advertisements, goods and services in question are marketed, the business ethics of this market field should be considered when interpreting the *boni mores*.

The German Advertising Council may be regarded as the counterpart to the South African Advertising Standards Authority. The influence that can be exercised by the advertising section of society is much smaller. They only have the possibility to influence law in their interests in the run-up to the establishment of an act, eg by lobbying.

The regulations of the German Advertising Council can only be applied in its own complaints procedures, but German Courts won't use it to decide whether an advertising action is unlawful or not. So the decisive sector of public has less opportunities to contribute to the arrangement of comparative advertising provisions.

Furthermore, the admissibility of comparative advertising usually is examined using the provisions of the law against unfair competition in Germany. This is true for trade mark related cases as well as for comparative adverts which do not refer to a competitor's registered trade mark but to other signs or features for product recognition. Comparative advertisements that are in line with the European directive on comparative advertising transcribed into German law of unlawful competition, cannot infringe registered trade marks. As a consequence of this interaction between the laws, court decisions dealing with comparative advertising are based on the law of unlawful competition in Germany. Under South African law the examination whether a comparative advertisement using another persons' trade mark amounts to trade mark infringement is of a bigger importance. Hence, the stricter interpretation of 'trade mark use' by South African courts benefits comparative advertising since primary trade mark infringement can only occur if a trade mark's origin function has been injured. However, the difference here only relates to the manner of legal examination, but results in a similar approach on the legitimacy of comparative advertising. While the South African law takes account on better information for consumers by restricting trade mark rights more severely, German law relays on the approach, that comparative advertising complying with the Act against Unlawful Competition cannot amount to trade mark infringement. The requirements in this act concerning the use of another persons' trade mark also aim at avoiding confusion about the advertised products as well as the South African Trade Marks Act does.

## **12. Conclusion**

Eventually, the considerations in both countries as well as in the European Union about the level of balance between trade mark rights, fair competition and consumer information are equal. However, the implementation in the particular national law is different which not at least is owed to different legal systems, respectively common law and statutory law. Since each approach is related to advantages and disadvantages especially regarding, flexibility, legal certainty and enforcement structures, one cannot make a clear decision what promotes informative comparative advertising better and must assume that the final objective, to benefit the market by competition and consumer information, is achievable on both ways.

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