

The EC Directive on Comparative Advertising and its Implementation in the Nordic Countries: Especially in Relation to Intellectual Property

Ulf Bernitz

1 Introduction

On 6 October 1997 the EC adopted a Directive on Comparative Advertising¹ with the purpose to harmonise the law in this field.² The directive is an amendment of and an addition to the earlier Directive of 1984 on Misleading Advertising.³ The new provisions on comparative advertising have been integrated into the directive on misleading advertising. However, the new text on comparative advertising constitutes a separate entirety; therefore it seems justifiable to treat it as a directive on comparative advertising.

The new directive has harmonized a part of marketing law which has been very disparate in the different EU countries. The adoption of the new directive implies that the EU has accepted the liberal view of the admissibility of comparative advertising that has characterised the state of the law of the Anglo-Saxon and the Nordic countries. In many of the EU countries in continental Europe, the directive has led to a liberalisation of hitherto applied principles. However, the text of the new directive does also include important restrictions of the admissibility of comparative advertising.

The purpose of this article is to discuss the new directive in the light of its origin and its relation to Nordic marketing law, particularly from a Swedish perspective. The purpose is further to present the form of the implementation of the directive chosen in Sweden and the other Nordic countries. There has been close co-operation between the Nordic countries on the implementation of the directive. As a basis, the author of this article was asked to prepare a report for

¹ The article is partially based on a report written by the author for the inter-Nordic law steering group within the Nordic Council. An earlier version of the article has been published in NIR Nordiskt Immateriellt Rättsskydd, *EG-direktivet om jämförande reklam och dess genomförande i Norden*, NIR 1998 p. 185 ff.

² Directive 97/55/EC, OJ L 290/18, 23.10.97.

³ Directive 84/450/EEC, OJ L 250, 19.9.1984.

the relevant inter-Nordic committee on consumer affairs. In this report it was recommended that the substantive provisions of the new directive text should be implemented in their entirety within the marketing legislation of the five Nordic countries to constitute a new specific provision on comparative advertising. An implementation based on a reference to the general clause of the Marketing Acts has been considered insufficient. This suggestion has been followed. In Sweden the Marketing Practices Act was amended as of May 1st 2000 to include a new specific provision on comparative advertising (article 8a of the Act) closely following the wording of the substantial provisions of the directive.

This article deals with the directive on comparative advertising in its entirety, as seen from a Nordic perspective. However, those parts of the directive that are particularly relevant from an intellectual property law point of view will be given special attention. The article has the following outline: In part 2 the background and the delimitations of the directive are discussed. Part 3 discusses the new Swedish legislation on comparative advertising. In part 4 the law on misleading comparative advertising is presented. In part 5, the relation to intellectual property law is discussed.

2 The Origin and Delimitations of the Directive

2.1 Background

The development of the Nordic view on the admissibility of comparative advertising has been closely linked to the changes made in the Code of Advertising Practice of the International Chamber of Commerce (ICC). This code has for a long time played a very important role in Nordic marketing law as a yardstick. Until 1966 the Code of Advertising Practice included a recommendation for companies to avoid direct comparisons in advertisements. However, in the revised 1966 edition of the Code the ICC abolished the special rules on the admissibility of comparative advertising. The Code was amended to fully allow comparisons in advertising, also in the form of direct comparisons, provided that the comparisons were not misleading or improper of any other special reason.

This change of position was undoubtedly related to the general development of society of this time, which aimed at free and active competition between companies as well as an increasing understanding of the importance of consumer information. It should be noticed, however, that the changes of the Code of Advertising Practice mainly reflected an Anglo-American approach. In large parts of Continental Europe the old view that comparisons in advertising, in particular direct comparisons, practically always would constitute unfair competition survived for some time. The importance attached to the Code of Advertising Practice differs considerably between different countries. For example, in Germany the impact of the ICC Code has always been quite limited. Behind the traditional, negative attitude towards comparative advertising in Continental Europe lies mainly the view that the real object for companies to make comparisons is to put their own products forward at the competitors'

expense and in a negative light that in certain cases may be fully discreditable. In other situations comparative advertising has been regarded as a tool for taking advantage of the reputation of competitors' products or to cause confusion.

Thus, the assessment of comparative advertising has differed considerably between the EU member countries.⁴ In certain countries, the starting point has been that comparative advertising should be permissible, provided it is not misleading. This view has penetrated the Nordic countries, and has also been prevailing in the United Kingdom and in Ireland.⁵ On the other hand, in many of the other EU countries comparative advertising has mainly, or at least to a considerable extent, been considered unlawful. This has been the case in Germany, and even more so in Belgium. Intermediate positions have also been developed. The change of position in France will be discussed below.

2.2 *The Origin of the Directive*

The new directive has a long history. The European Commission had as early as 1978, based on earlier drafts, presented a proposal for a Directive Concerning Misleading and Unfair Advertising to the Council.⁶ Concerning misleading advertising, the proposal led after different amendments to the present, already mentioned Directive of 1984 on Misleading Advertising. As for the rest of improper marketing practices – a concept normally interpreted widely – it has so far not appeared to be possible to proceed with a more generally framed directive on the EU level.⁷ Instead, the Commission decided to limit its ambitions for the time being to the field where the need for harmonisation was seen as particularly important, namely comparative advertising. This is also an important part of the explanation why it was chosen to let the new directive on comparative advertising be part of the already existing directive on misleading advertising. In this respect, the fact that the new directive has been handled within the Commission by the Consumer Protection Directorate-General has been of importance.

An important reason why the directive on comparative advertising could come into existence is surely the totally revised, new French legislation within the field. Under the influence of a strengthened interest for consumer protection and previous EU proposals, French law was thoroughly amended by the legalisation of comparative advertising through the comprehensive Consumer

⁴ For an overview of the European state of the law before the enactment of the directive, *see, e.g.*, Kur, *Die vergleichende Werbung in Europa: Kurz vor dem Pyrrhus-Sieg?* In Vennebog til Mogens Koktvedgaard, Stockholm 1993 p. 436 ff. *See also, e.g.*, Tilmann, *Cross-Boarder Advertising*, IIC 1994 p. 333 ff, Vahrenwald, *The Advertising Law of the European Union*, EIPR 1996 p. 279 ff, Willimsky, *Comparative Advertising: An Overview*, EIPR 1996 p. 649 ff.

⁵ *See, e.g.*, Fitzgerald, *Comparative Advertising in the United Kingdom*, EIPR 1997 p. 709 ff.

⁶ Official Journal 1978, C 70 p. 4, 21.3.1978.

⁷ *See, i.a.*, Bernitz, *The Legal Concept of Unfairness and the Economic and Social Environment, in Unfair Advertising and Comparative Advertising*, Droit et Consommation XVII (ed. E. Balate), Louvain la Neuve 1988 (Kluwer Publ.) p. 53 ff and Henning-Bodewig, *History, Features and Prospects of the Commission Proposal on a Directive on Unfair and Comparative Advertising*, *ibid.* p. 225 ff.

Protection Act (*Code de la consommation*) of 1993, in which explicit provisions in the field were included.⁸ The new French law is based on the principle that comparative advertising is explicitly permissible at the same time as it specifies limits through the definition of comparative advertising, as well as restrictions concerning taking advantage of a reputation, imitations, designations of origin etc. The new EC directive is strongly inspired by this French act.

The legal basis of the Directive on Comparative Advertising is article 95 (former article 100a) of the EC Treaty on the approximation of laws which purpose it is to realise the internal market. On this point, recital 2 of the preamble of the Directive states:

“the basic provisions governing the form and content of comparative advertising should be uniform and the conditions of the use of comparative advertising in the Member States should be harmonized”.

The directive has been passed by the European Parliament and the Council in accordance with the co-decision procedure of the EC Treaty. In the Council the directive was passed with a qualified majority. France accepted the directive after having succeeded in the final phase to have the rules on designations of origin formulated in line with the French legislation. Germany and Sweden voted against the adoption of the directive and Finland declared its reasons for the vote taken. Germany was of the opinion that the previous plans for a more general directive against unfair competition should have been adopted first. The Swedish vote is explained by a negative reaction towards the late added, French inspired, restrictive provisions on designations of origin, which will be discussed below. However, in the opinion of the author it was an over-reaction on the Swedish side to vote against the adoption of the directive for this reason.

2.3 *The Concept of Comparative Advertising*

The concept of comparative advertising⁹ is ambiguous. The definition used in the new directive is fundamental. Recital 6 of the preamble of the Directive states:

“Whereas it is desirable to provide a broad concept of comparative advertising to cover all modes of comparative advertising”.

This has also been indicated in the text of the Directive, which includes the following definition:

“‘Comparative advertising’ means any advertising which explicitly or by implication identifies a competitor or goods or services offered by a competitor” (article 2.2a of the revised Directive).

⁸ The rules are to be found under the heading *Publicité* in articles L 121-8 – L 121-12.

⁹ French: *publicité comparative*, German: *vergleichende Werbung*, Swedish: *jämförande reklam*.

The definition is strikingly wide, which might lead to difficulties. Thus, all advertising in which a manufacturer states that his product is the strongest, most efficient, cheapest, best etc. can be considered to include a certain element of indirect comparison with competitors' products.

The text of the directive does however include a delimitation by the included prerequisite that comparative advertising, specifically or indirectly, shall identify a "competitor" or products offered by a "competitor". In accordance with the intention of the directive, thus the concept comparative advertising implies that there has to be a *competitive relation* between the undertaking who compares and the one who is compared. However, normally this delimitation would lack importance. It is natural that comparisons in advertisements are made with competing products. It is however plausible that cases might occur where comparisons are made with products that are not supplied by firms that compete within a specific market, e.g. due to the fact that the product in question is sold in another country. In such a case the situation would fall outside the directive's field of application. A more precise interpretation of the definition of a "competitor" is up to forthcoming case law. E. g., will it be sufficient that a company constitutes a potential competitor or will it be required that there is an actual competitive relation between the companies at the time of the advertisement?

It should be mentioned that before the implementation of the directive the marketing practices laws of the Nordic countries avoided deliberately to delimit the range of the legislation by requiring a competitive relation. Such a delimitation was not considered relevant to what constitutes improper marketing practices, in particular as seen from the perspective of consumer protection. On the other hand, the general clause and the special prohibition on misleading advertising in the German Act on Unfair Competition (UWG) only concern actions having competitive purpose ("*zu zwecken des Wettbewerbs*").¹⁰ Similar delimitations can be found also in other countries.

At a closer study of the text of the directive, however, it appears that it is, at least primarily, directed towards comparative advertising in a more proper sense. This is clearly noticeable when comparisons of products are discussed. In recital 2 of the preamble of the directive it is stated that the aim is that it "will help demonstrate objectively the merits of the various comparable products". Recital 5 of the preamble states that "comparative advertising, when it compares material, relevant, verifiable and representative features and is not misleading, may be a legitimate means of informing consumers of their advantages".

Comparisons of products in comparative advertising can take the form of either so-called system comparisons or direct comparisons. When making system comparisons the product in question is compared with other not directly identifiable products, normally by pointing out differences concerning material, characteristics, function etc. On the other hand, when making direct comparisons, a comparison is made between identified products from different companies. In this case, the other companies' trade mark, trade name or other signs of identification are normally pointed out directly. Intermediary forms exist. The directive covers both these types. That system comparisons are

¹⁰ Articles 1 and 3 of the German UWG.

included can be inferred by the definition in article 2.2a of the directive, already cited, which specifically mentions advertising that “by implication identifies” a competitor or its products.

A practice closely connected to comparative advertising is advertisements referring to *tests and certificates* etc. However, the directive does not give any references to tests, certificates etc., neither in its text, nor in the preamble. The phenomenon of referring to tests and certificates seems to have been kept outside of the scope of the directive. However, in practice such references often act as factors when making comparisons between products. When that is the case, references to tests and certificates seem to be included in the directive, just like other matters to which references can be made within comparisons.

2.4 Full Harmonisation Directive

The provisions of the directive on comparative advertising are – in contrast to the older provisions on misleading advertising – designed as a full harmonization directive. Thus, the provisions have to be interpreted in such a way that comparative advertising may only be permitted within the EU when such advertising fulfils the requirements of its admissibility stated in the directive. This follows from articles 7.1 and 7.2 of the Directive.¹¹

The wording of this point was controversial during the final decision process in the Council. From a Nordic, and not least Swedish, point of view, it was feared that the full harmonisation approach would lead to a weakening of consumer protection. Following a primarily Swedish initiative, the controversy was solved by limiting the new provisions of the directive to be applicable only *as far as the comparison is concerned* (article 3a.1 and articles 7.1 and 7.2). Thus, the harmonisation reached through the new provisions of the directive is limited to the conditions concerning the admissibility of comparative advertising in marketing. This indicates that the provisions do not concern other parts of the content of an advertisement. Intervention against advertising that in other ways is misleading, improper or unlawful will continue to be possible, it seems, also if it would include an element of comparison. This would concern, for example, advertising assessed as improper since it fails to fulfil special norms applied to advertising directed towards children.

Also, the directive allows the Member States to apply special rules or prohibitions against comparative advertising concerning certain goods or services or to allow special regulations concerning professional activities (article 7.4 and 5, mentioned in part 5, *infra*).

¹¹ See also recital 7 of the preamble to the Directive.

3 The New Swedish Legislation on Comparative Advertising

3.1 *The Previous State of the Law*

When the Nordic countries enacted their modern acts on marketing in the 1970s, the need for consumer protection was primarily observed. The revised attitude towards comparative advertising in the ICC Code of Advertising Practice, mentioned above, fitted the new Nordic marketing legislation well. Comparative advertising was considered as an instrument to spread information to consumers and to stimulate competition on the market, which would be good for the general public. In the Swedish government bill of 1970 on the new Marketing Practices Act, the responsible cabinet minister stated explicitly that he considered comparisons presented in a correct way to be of great value for the consumers as a guidance when making choices between different goods and services.¹²

Up to the recent implementation of the EC directive, none of the Nordic acts on marketing have included any particular rules concerning the assessment of comparative advertising. This has also been the case with the new Swedish Marketing Act of 1995, which includes a more extensive catalogue of prohibited types of misleading or unfair advertising practices than the other Nordic counterparts. In all Nordic countries, the admissibility of comparative advertising has been assessed in accordance with the general clause on unfair marketing practices or the general prohibition on misleading advertising.

The basic rules on the assessment of comparative advertising within the Nordic countries have been fairly uniform and rather accurately concluded in the rule concerning Comparisons included in article 6 of the revised 7th edition of the ICC Code of Advertising Practice, adopted in Shanghai 1997. The rule reads:

“Advertisements containing comparisons should be so designed that the comparison is not likely to mislead, and should comply with the principles of fair competition. Points of comparison should be based on facts which can be substantiated and should not be unfairly selected.”

On the basis of this rule as well as case law and literature from the different Nordic countries it appears possible to state common principal rules for the Nordic countries for the assessment of comparative advertising.

The main principle has been that comparisons in advertisements with competitors' goods, prices and activities are fully admissible. This has been the case also with direct comparisons, where competing products and companies can be clearly identified.

There has developed extensive case law from the Swedish Market Court concerning the assessment of comparisons in advertisements. The Swedish Market Court has applied strict demands on comparisons, both from the perspective of truthfulness and in general. In a number of decisions, the Market Court has stated its positive approach towards price comparisons, since they stimulate price competition and give useful information to the consumers. However, the strict demand for truthfulness has always been applied. Many

¹² Government Bill 1970:57 p. 70.

Swedish cases concern statements in which the advertiser has claimed to offer “the lowest price” or be “cheapest”, “biggest” etc. Such claims have regularly been condemned as misleading since the advertiser has not been able to prove the stated facts.

There has hardly been any demonstrable differences between the case law on comparative advertising applied in the different Nordic countries. Overall, the jurisprudence has followed the rule of the Code of Advertising Practice. The position in the case law has been fixed for a long time and has not really changed since the early nineteeneighties. There has been relative consensus on the appropriateness of the principles used. The intense debate about comparative advertising that has been going on in many other European countries has had no counterpart in the Nordic countries.

3.2 *The Implementation of the Directive*

As already mentioned, new specific Swedish legislation on comparative advertising implementing the directive is in force since May 1 st, 2000.¹³ The substantive part of the provisions of the directive has been brought together into a new specific provision of the Marketing Act on comparative advertising (article 8a of the Act). It has been possible to rewrite the text of the directive into a more elegant and fluent text and still keep the substance. Unavoidably, there is some overlapping in relation to other provisions of the Act, especially in relation to misleading advertising and advertising creating confusion with competitor’s trademarks.

Although the Swedish statutory text follows the directive closely, it is of interest to make a comparison and to discuss to which extent there has been any change in the legal situation in relation to the already established Nordic principles on the assessment of comparative advertising. The article will only discuss Sweden but the implementation in the other Nordic countries has followed the same line and the state of the law is very similar.

For the admissibility of comparative advertising, the provisions of the directive state fundamental prerequisites to be fulfilled in article 3a.1 of the new directive text. The prerequisites are listed in paragraphs a-h of the article. It is clarified in recital 11 of the preamble of the directive that these conditions on the admissibility of comparative advertising are intended to be cumulative and shall be respected in their entirety. Also the new Swedish legislation is based on the principle that the prerequisites for permitting comparative advertising are cumulative and it states the prerequisites in the same order in the statutory text as in the directive.

The substantive provisions of the Swedish Marketing Act consist basically of the general clause requiring marketing to be compatible with good marketing practice and a specified catalogue on types of prohibited practices. Only the latter are sanctioned with administrative fees, so-called market disruption fee, and the right of damages. The general clause is only sanctioned by way of prohibition orders, normally issued subject to a default fine. The new rules on

¹³ Primary legal source is Government Bill 1999/2000:40.

comparative advertising have been included in the catalogue of prohibited practices. Thereby, advertising which does not fulfil the requirements for permitted comparative advertising is put on an equal footing concerning sanctions with other prohibited practices. The rule concerning damages would be of practical importance, in particular in situations that include creation of confusion, discrediting or taking unfair advantage of a reputation.

It is clearly pointed out in the new Swedish statutory text that the special provisions on comparative advertising only apply to the comparative elements of advertising. Thus, other provisions of the Marketing Act can be applied to comparative advertising to the extent they concern other aspects than the comparison itself. This would have special importance in relation to misleading advertising. The general clause requiring all types of marketing practice to be compatible with good marketing practice can always be applied as a supplementary provision.

The text of the directive gives Member States the possibilities of setting up or accept special prohibitions against comparative advertising in particular lines of business, e.g. liberal professions. An example would be prohibitions against comparative advertising concerning lawyers, doctors or auditors. (See articles 7.4 and 7.5 of the directive). To the extent there are such special regulations in the Nordic countries, they can thus be kept. This has not been considered to require any special measures to be taken in connection to the implementation.

4 Misleading Comparative Advertising

4.1 The Basic Rules

Article 3a.1a of the directive states that comparative advertising must not be misleading. This is the basic and most important legal principle in the field. A reference is made in the text of the directive to the already existing rules of the Directive on Misleading Advertising.

The text of the article has been given a direct counterpart in the new Swedish legislation although this has resulted in a certain overlap in relation to the already existing provision in the Swedish Marketing Act on misleading advertising in general. The application is not intended to differ from the previously applied principles in this area as they have been presented in part 3, *supra*. Swedish case law will in all probability keep its strict demands for truthfulness, the reversed burden of proof applied by the Market Court and the requirements that comparisons must be correct, representative and up to date.

The *burden of proof* is of special importance in relation to misleading advertising. The Directive on Misleading Advertising has in its article 6 (a) a provision on furnishing of evidence that is vaguer and less strict than the clear principle on reversed burden of proof concerning the correctness of facts in advertisements, which for a long time has been applied in all the Nordic countries.

The new directive provisions on comparative advertising imply in this part no other amendment to the older text of the directive than that the addition to article

6 (a) that courts or administrative bodies in the case of comparative advertising can demand an advertiser to furnish evidence “in a short period of time”. The background of this provision is, among other things, that in the final stage of the negotiations, Germany demanded that a very short, specifically stated time period concerning the advertiser’s duty to present evidence within the framework of *interlocutory proceedings* should be stated in the directive. The text cited expresses the compromise reached.

In Sweden, the existing strict rule on the burden of proof has been retained and the Marketing Act as already existing has been considered to include the necessary possibilities for quick interim measures to be taken.

On the whole, Swedish law on misleading comparative advertising is not intended to change as a result of the implementation of the text of the directive. As already mentioned the main principle has been since many years that comparisons in advertisements with competitors’ goods, services, prices and other activities are fully permissible, also in relation to direct comparisons where competing products, companies or brands can be clearly identified, provided they fulfil the strict requirements for truthfulness. The major reason behind the strict demand for truthfulness is that comparisons are considered to give a strong impression of objectivity and thereby to rise the consumers’ confidence.

The demand for truthfulness includes primarily that the comparison must be *correct*. In accordance with the principle of reversed burden of proof it is the firm marketing the product that must prove the comparison to be correct by presenting the relevant background facts.

Swedish case law further demands, as a particular element of the truthfulness principle, that the comparison has to be *representative*, i.e. gives a correct total picture of what is compared. The requirement that the compared features shall be representative is now to be found also in the text of the directive, article 3a.1 (c). In the ICC Code of Advertising Practice rule, cited above, it is stated that the matters of which the comparison consists should be chosen correctly. As a consequence, comparisons, in order to be permissible, must satisfy high requirements on accuracy. If a comparison shows that there are provable differences between products, these differences must not be exaggerated or presented dramatically.

Further, it follows from the demand for truthfulness that the comparison must be *up to date*. Thus, the information given in a comparison must not be outdated. For example, a company may not compare its latest model of a product with an older model of a competitor.

The demand for truthfulness would normally also include a requirement that comparisons concern the market of the own country. The differences that often exist between different geographical markets imply that great awareness must be observed when comparisons referring to circumstances in other countries are used.

4.2 Comparisons with Similar Goods

Article 3a.1 (b) of the directive states that comparisons to be permitted must compare goods or services meeting the same needs or intended for the same purpose. According to recital 9 of the preamble of the directive, the purpose of this rule is to prevent comparative advertising being used in an anti-competitive and unfair manner.

There is now a corresponding rule in the Swedish Marketing Act. However, no clearly corresponding rule is stated in the ICC Code of Advertising Practice or has been applied in earlier Nordic case law. On the other hand, as have already been discussed, there has been applied in the case law strict demands on comparisons to be correct and representative. Comparisons between products that are not meeting the same need or intended for the same purpose would in Nordic case law normally have been assessed to be inadequate and intended to be misleading. Thus, the provision of the directive appears to be consistent with established Nordic jurisprudence and does not call for a change in the case law.

However, a certain reservation should be made. It will be of great importance how the provision will be construed in court practice in other EU countries. In countries lacking a tradition of permitting comparative advertising, it is well possible that companies and their lawyers will launch narrow interpretations of what should be assessed as fair product comparisons between goods and services intended for the same needs and purposes.

As an example one might mention comparisons between cars of different brands, in practice a frequent situation. It seems clear that a serious and truthful comparison is hardly possible between a low-price people's car and a prestigious car of very high quality. But where is the borderline? To what extent can a car producer of a certain brand oppose a comparison made in an advertisement from the producer of another brand with reference to the fact that the brand are intended for different categories of buyers and therefore not intended for the same need? Concerning this, and other interpretations, it is at the end of the line up to the European Court of Justice (ECJ) to establish the interpretation of the provision. It is not impossible that more narrow interpretations than the one established in the Nordic countries will eventually prevail.

4.3 The Objectivity Requirement

In article 3a.1(c) the directive text states that comparative advertising should, in order to be permissible, objectively compare one or more material, relevant, verifiable and representative features of those goods and services, which may include price. As mentioned above, it follows from recital 8 of the preamble that a comparison may comprise the price only, provided it is not misleading.

In this respect the directive seems to correspond well to previous Nordic case law. Thus, the implementation of the new rule of the directive would not change the legal situation. As mentioned, Nordic law has demanded strictly that it must be possible to verify comparisons made. Neither does the prerequisite that product comparisons should concern material and relevant features, interpreted in a reasonable way, differ from Nordic case law. It has never accepted

comparisons limited to features of limited importance where the advertising company has had a advantage. Worth noting is that the final text of the directive does not include the demand that comparisons only should concern “essential” features as was stated in earlier drafts. Such a demand could have resulted in a serious tightening up of the possibilities of making comparative advertising.¹⁴

4.4 Price Comparisons and Special Offers

It is considered permissible to delimit a comparison to concern certain aspects, provided that it is made clear that such a limitation has been made and that differences in other respects, e.g. concerning quality or regarding service, have not been taken into account. What is of particular importance in this connection is that it is considered permissible to delimit a comparison to concern only the price (price comparisons). This is made clear in recital 8 of the preamble which states:

“Whereas the comparison of the price only of goods and services should be possible if this comparison respects certain conditions, in particular that it shall not be misleading”.

There is significant jurisprudence and experience in all the Nordic countries on *price comparisons*. Concerning such comparisons in general, in order to be considered as accurate they must contain comparisons of prices actually charged in practice and which are not made-up or fictitious. Thus, comparisons of recommended retail prices assume that the prices compared are actually utilised in practice. Promotion prices or other special price reductions may not be compared with other companies’ normal prices.

There are strict demands for truthfulness concerning general comparisons of price levels between different shops. To avoid such advertising to be deceptive and misleading, the compared prices must be up to date and the selected goods that are compared must fulfil reasonable demands for representativity. Besides the demand for truthfulness, comparisons in advertisements have had to be formulated in such a way that they also in other respects are in accordance with good marketing practice.

The directive text includes in article 3a.2 a special rule regarding comparisons concerning special offers. It is required that any comparison referring to a special offer shall indicate in a clear and unequivocal way the date on which the offer ends or, where appropriate, that the special offer is subject to the availability of the goods and services. In cases where the special offer has not yet begun to apply, the date of the start of the period during which the special price is available shall apply.

These demands seem highly reasonable and do basically not seem to include anything new in relation to the previous state of the marketing law of the Nordic

¹⁴ The French legislation on comparative advertising has limited the scope of permissible types of direct comparisons in advertising to features being “*essentiels, significatives, pertinentes et vérifiables*”, article L 121-8 of the *Code de la consommation*.

countries. Offers not including the information required would be misleading. However, to do the implementation correctly, a provision in line with the directive provision on special offers has been included in the Swedish Marketing Act.

5 The Relation to Intellectual Property Protection

5.1 *The Principal Rule*

In the drafting of the Directive on comparative advertising its relation to intellectual property protection was given special attention. As a result, the text of the directive contains special provisions on confusion, denigration, designations of origin, taking unfair advantage of the reputation of a trade mark and imitations of branded goods. In this field the new directive has probably tightened up the previous Nordic case law somewhat, at least as far as Sweden is concerned. In my view, these provisions of the directive are very important as they can be seen as an embryo to a Community legislation on unfair competition, albeit at present limited to the area of comparative advertising. It would not be surprising if these provisions in an expanded form will be included in the future in a more comprehensive Community directive on unfair competition.

As mentioned in part 2, according to the principal rule direct comparisons in advertising with named competitors and their products are permitted. This follows clearly from recitals 14 and 15 of the directive which state:

(14) Whereas it may, however, be indispensable, in order to make comparative advertising effective, to identify the goods and services of a competitor, making reference to a trade mark or trade name of which the latter is the proprietor;

(15) Whereas such use of another's trade mark, trade name or other distinguishing marks do 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 to highlight differences objectively."

The principle that it is normally permitted to mention competitor's trade marks and similar designations in comparative advertising is fully in line with what has been and still is Nordic case law. Thus, the different situations to be discussed in the following all have the character of exceptions.

5.2 *Creation of Confusion*

The important provision 3a.1(d) of the directive deals with comparisons creating confusion. It states that comparative advertising, in order to be permitted, must not create confusion in the market place 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 provision should be read in the

light of what is stated in recitals 14 and 15 of the preamble of the directive, cited above. It is now implemented within the article 8a of the Swedish Marketing Act. There is a certain overlap in relation to the already existing article 8 of the Act which states that imitations may not be used which are misleading as they can easily be confused for another businessman's known and characteristic products, provided the design does not primarily serve to make the product functional.

According to well established Nordic law, it is not to be considered as trademark infringement to mention a competitor's trademark as part of comparative advertising.¹⁵ However, in order to be permissible, a comparison with another's trademark must be formulated in such a way that any confusion is avoided. The directive is based on the same approach,¹⁶ while, so far, the state of the national law has to a certain extent differed within the Community. Less seriously formulated comparative advertising may result in a risk of confusion with the competitor or the competitor's products. Such situations are to be considered as trade mark or trade name infringements according to the intellectual property legislation of the Nordic countries or as misleading of the commercial origin in violation of the marketing legislation.

Thus, the principle of the directive expressed in article 3a.1(d) should not differ from what has already been established case law in the Nordic countries. However, possibly EU countries with a traditionally different, more restrictive view on the admissibility of comparative advertising might launch more restrictive interpretations on to what extent it would be permissible to identify competitors' trade name or trade mark in comparative advertising.

5.3 *Discrediting and Denigration*

The directive contains another special provision on discrediting and similar measures. Article 3a.1(e) of the directive states that for comparative advertising to be permissible, it must not discredit or denigrate the trade marks, trade names, other distinguishing marks, goods, services, activities, or circumstances of a competitor.

In Nordic marketing law, it has been an established principle to consider statements in advertising discrediting other companies or their products to violate honest business practices and to be unlawful, both in cases when the statements are misleading and when they are otherwise unnecessarily denigrating. This case law includes cases related to misuse in advertising of tests and certificates and the like. The principle has been based on Article 7 of the ICC Code of Advertising Practice, which states in its latest Shanghai edition of 1997:

¹⁵ See, *i.a.*, Bernitz, *Otillbörlig konkurrens mellan näringsidkare*, Stockholm 1993 p. 190 ff.

¹⁶ This has been the prevailing view also in relation to the Community Directive on the Approximation of Trade Mark Law, see, *i.a.*, Annand-Norman, *Guide to the Community Trade Mark*, London 1998 p. 178 f.

Advertisements should not denigrate any firm, organization, industrial or commercial activity, profession or product by seeking to bring it or them into public contempt or ridicule, or in any similar way.

In the light of this there should be no real difference between what has been Nordic marketing law already and article 3a.1(e) of the directive and the corresponding new rule of the Marketing Act. However, also on this point a caveat should be expressed. The Nordic marketing law has always been practiced in an atmosphere favouring a high degree of freedom of expression, also in commercial speech. We might very well have to face more restrictive interpretations of the scope of the provision in other Community countries.

5.4 *Designations of Origin*

A question that attracted much attention during the final Council stage of the formulation of the directive was the admissibility of comparisons that use designations of origin. This question was considered as particularly important in France, traditionally being the country which has taken the leading role in the development of this special area of law. As mentioned above, negative reaction towards this provision even caused Sweden to vote against the directive in the final proceedings in the Council.

However, the Nordic EU countries were bound already by the Council Regulation of 14 July 1992 on the Protection of Geographical Indications and Designations of Origin for Agricultural Products and Foodstuffs.¹⁷ This regulation, directly applicable in the Member States, contains in its article 13 a prohibition against direct or indirect commercial use of registered designations of origin for products that are not registered. A reference to the regulation and its article 13 is given in recital 12 of the preamble of the directive. Thus, on designations of origin the new directive does not seem to include much new. However, the provision in the directive on designations of origin appears to have a wider range of application than the 1992 regulation.

In any case, the final directive text has been given a very tight formulation. According to article 3a.1(f), comparisons are only permitted between products with the same designation of origin. This corresponds to what has been the position of the French legislation on comparative advertising.¹⁸ Also this provision has now been included in the Swedish Marketing Act. It has had no parallel in earlier Swedish legislation.

This means, e.g., that German sparkling wine (*Sekt*) must not be compared with champagne. The text of the directive appears to imply that comparisons are neither permitted between products with different designations, nor between products where one of them is lacking a designation of origin and the other has one. In practice products carrying designations of origin are protected against comparative advertising in many situations in which the owner of any other branded product would have to tolerate comparisons with other brands.

¹⁷ 2081/92/OJ, OJ 1993 L 13/16.

¹⁸ *Code de consommation* L 121-10.

The main field of the protection of designations of origin is wine and spirits. Of particular importance in practice is designation of origin of quality wine, not least French wines. Another field where designations of origin are important is other high quality food products of a particular and characteristic origin, e.g. cheese. However, in the Nordic countries there is no developed tradition to work with protected designations of origin for provisions with characters related to the geographical environment where they are produced. Furthermore, advertising for wine and spirits is to a very large extent prohibited. Thus, the practical importance of the special regulation concerning comparisons using designations of origin seems insignificant from a Nordic point of view.

5.5 *Taking Unfair Advantage of Reputation*

Article 3a.1(g) of the directive text states that comparative advertising, to be permitted, may not be used to 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.

In continental European countries, the possibilities to misuse comparative advertising as a pretext for taking unfair advantage of a reputation of a well-known competitor or his products have been much observed. It is considered that what appears to be comparative advertising often lacks a proper comparison but rather misuses the comparison as a mean to give a product an advantageous image in relation towards a better known trade mark.

To take unfair advantage of a reputation is a well known type of improper marketing practice in the marketing law of the Nordic countries, which however, at least in Sweden, got a clear outline in the case law relatively late. A Swedish lower court decision concerning an advertising campaign where the Japanese car make Mazda was featured as “the family’s new Rolls” is illustrative. No proper comparison was made. The company Rolls Royce sued successfully on the basis of trademark law and the advertising was found by the court to constitute a trade mark infringement and damages were awarded.¹⁹ The case would most likely have had the same outcome under marketing law and offers a good example of taking unfair advantage of a reputation.

Also in relation to the directive provision on taking unfair advantage of reputation it can be concluded that previous case law seems to be in line with the new requirements. However, we do not know how strictly the provision will be interpreted in the future by the ECJ.

5.6 *Imitations and Replicas*

In article 3a.1(h) of the directive there is a prohibition against presenting goods or services as imitations or replicas of goods or services bearing a protected trade mark or trade name.

¹⁹ The case is reported in NIR Nordiskt Immaterialt Rättsskydd 1981 p. 421.

The introduction of an explicit rule on imitations and replicas was given great importance during the final stage of the Council deliberations on the directive, particularly on the part of the French delegation.²⁰ In this connection, reference was made, among other things, to the problems of the perfume industry, and as an example marketing of imitations such as “our version of Chanel No 5” etc. was mentioned.

According to the Nordic approach, it has not be regarded as an acceptable form of comparative advertising to make statements to the effect that a certain product is an imitation or a replica of a certain other product that is sold under a particular protected trade mark. Normally, such practice constitutes trademark infringement and is often to be regarded as pure counterfeiting. According to Swedish case law, this is so even when the products are clearly marked or advertised as copies. There are a couple of Swedish appeal court decisions on this point.²¹

However, the directive text includes a categorical prohibition against the presenting of a product as an imitation or copy of another product that states its protected distinguishing mark; even if the presentation otherwise does not include a comparison. In certain situations this *per se* prohibition might imply a sharpening compared to what would previously be regarded as improper marketing practice in Nordic case law. On this point, the regulation can, at any rate, be seen as a clarification. The rule is now clearly implemented as part of article 8a of the Swedish Marketing Act.

It is, on the other hand, considered admissible from the viewpoint of trade mark law to state when marketing spare parts, accessories etc. that these fit a certain product and thereby in a neutral way mention the trade mark of the product. (See § 4 second paragraph of the Nordic Trademark Acts).²² The EC directive on trade marks includes in article 6.1(c) the rule that the trademark does not give the proprietor the right to prohibit a third party from using the mark in the course of trade where it is necessary to indicate the intended purpose of a product or service, in particular as accessories or spare parts, provided he uses them in accordance with honest practices in industrial or commercial matters.²³ The provision in article 3a.1(h) does not seem to include this situation.

6 Concluding Assessment

With the realisation of the new Community directive on comparative advertising the liberal, pro-competitive and consumer protection oriented view on comparative advertising, that for a long time has been established in the Nordic countries, has become valid in the whole of the European Union. However, as a

²⁰ There is an explicit rule on imitations and replicas in the French legislation on comparative advertising, article L 121-9 second sentence of the *Code de la Consommation*.

²¹ Bernitz-Karnell-Pehrson-Sandgren, *Immaterialrätt*, 7 ed., Stockholm 2001 p. 293 f with further references.

²² On the application of this provision, i.a., Bernitz, *Otillbörlig konkurrens mellan näringsidkare* p. 178 ff.

²³ Directive 89/104/EEC, OJ 1989 L 040.

general reservation, more strict interpretations limiting in different ways the scope of permissible comparative advertising might be launched, in particular in EU countries lacking a tradition of allowing direct comparisons in advertising. For example, in the present German discussion tendencies towards more restricted interpretations than what would be acceptable from a Nordic point of view are clearly to be noticed.²⁴ At the end of the line it is for the ECJ to interpret the different provisions of the directive. Presumably, cases of this type will probably come up primarily as preliminary ruling cases under Article 234 of the EC Treaty.

There is now a first decision from the ECJ on a case of this type, the *Toshiba* case.²⁵ In this case, referred to the ECJ by a German court, the company Katun was selling spare parts and consumable items to be used for Toshiba photocopiers in price competition with the Toshiba company. Katun published catalogues in which it referred specifically to product numbers specific to the original spare parts and consumable items. Katun claimed this was necessary to identify its products. Toshiba was of the opinion this was not permissible comparative advertising and amounted to taking unfair advantage of the reputation of Toshiba's trade mark.

In its decision, the ECJ took a favourable view on comparative advertising. It found the Community legislature has laid down a broad definition of comparative advertising that would comprise Katun's advertising in this case. It also found (para. 34 of the judgment) that the use of another person's trade mark may be legitimate where it is necessary to inform the public of the nature of the products or the intended purpose of the services offered. The Court further stated (paras 36, 37 and 54):

“Comparative advertising will help demonstrate objectively the merits of the various comparable products and thus stimulate competition between suppliers of the goods and services to the consumer's advantage. For those reasons, the conditions required of comparative advertising must be interpreted in the sense most favourable to it.... An advertiser cannot be considering as taking unfair advantage of the reputation to distinguishing marks of his competitor if effective competition on the relevant market is conditional upon a reference to those marks.”

The ECJ did not take definite standpoint to the particular case but it is evident that the court favoured the lawfulness of comparisons of the type made by Katun.

From the viewpoint of Nordic marketing law Katun's advertising would have been legal, provided it was not misleading. The reasoning of the ECJ is very much in line with what is the case law and generally established opinion in the Nordic countries. The case seems to be a victory for the liberal, pro competitive

²⁴ See, e.g., Sack, *Die Bedeutung der EG-Richtlinien 84/450/EWG und 97/55/EG über irreführende und vergleichende Werbung für das deutsche Wettbewerbsrecht*, GRUR Int 1998 p. 263 ff.

²⁵ Case C-112/99, *Toshiba Europé GmbH v. Katun Germany GmbH*, judgment 25 Oct. 2001, not yet reported.

view on comparative advertising and also for the recognition of the importance of consumer information including tradesmen as buyers.

The question can be raised if the different delimits concerning the admissibility of comparative advertising, stated in the directive text and discussed above, imply a tightening of the state of the law compared to the earlier Nordic position. My impression is that courts and consumer authorities, both in Sweden and in the rest of the Nordic countries, also in their earlier practice have applied strict demands for the shaping of comparative advertising in order to be admissible. If the interpretation and application of the new directive on comparative advertising will continue to follow the principles now laid down in the Toshiba case, the directive does not seem to imply any real change in relation to previously applied Nordic case law in the area. However, it is of value that the directive text clearly states that real or purported comparisons in advertisements may not be used to create confusion, discredit or denigrate competitors or to take unfair advantage of a reputation etc. On this point, the directive as implemented might result in a certain tightening up of previous Swedish case law.