The Interface Of Trademark With Competition Law; Comparative Advertisements And Disparagement Issues

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[1]*Date of Receiving: 07/01/2025*
Date of Acceptance:16/03/2025
Date of Publication: 29/03/2025

ABSTRACT

The development of a business depends on the capacity of its identification, or rather whether and to what extent can the business and its owner create an identity in the market where it operates. In order to create this identity, its important to have an image – a representative character or a symbol that forms the basis of this identity creation.Here comes the importance of a Trademark – a particular sign or symbol that is distinctive concerning the particular brand or the goods or services it represents. One of the most important functions of trademark is a means of connoting the connection between the owner of the goods or services and the ones being sold and in denoting it , these marks perform another function – as that of a brand. Market test , goodwill, choice, preference and the reputation of a business grows with the trademark indicating it as an identity mark. There comes a point in the trajectory of trademark usage when it no longer stays a sign but a marker of a brand power , market coverage and customer connection making the name lucrative enough to either compete with, compare or even disparage to secure profits and gains. The idea of competition act comes into the picture due to the legally granted monopoly which a trademark enjoys as a result of registration and that spurs a discussion as to whether and to what extent can the monopoly and exclusion be justified in the face of a fair, competitive market. This tendency of competition and conflict in using trademarks as trade names finds relevance in the advertisement world where often the line of fair conduct is breached and disparaging statements made about once competing brand's product and that acts as a form of infringement of trademark again. This paper deals with these aspects.

Keywords- *Disparagement; Comparative; Advertisement; Infringement; Trade; Brand*

MONOPOLY OF USE AND SCOPE FOR USE

With any form of intellectual property protection, the discussion of its rationale begins, which is closely connected with its impact. The prominent impact and perhaps the only reason intellectual property becomes even more valuable than tangible physical property is its monopolistic reward – that extends beyond dimensions and covers the entire seamless gamut of intellect itself. With a Trademark, which is essentially a name, the protection of the granted monopoly covers restricting anyone else from using the same. The limits to such a broad range of protection entail careful scrutiny, especially when the market and competitive tendencies of products are in the picture. In essence, the use of monopoly itself is very sceptical[2] connotation that seeks to explain a situation where only one person's product or brand dominates and others are not even given a chance to explore and compete in the market. This is not the case with trademarks as a form of intellectual property that seeks to create a perimeter of exclusive usage as a reward for the incentive and labour invested in the intellection of the property. A property right like this is akin to a legally permitted monopoly or rather a legal monopoly- which does oust others from using the same name or brand sign symbol but does not contain or restrict competition in the market. In fact a good monopoly or a legal monopoly that vests in the product or trademark created by a person serves to increase competition in the market[3] - as business will strive harder to establish the connection of the goods with the trademark so as to increase identification, consumer connection and subsequently preference and sales.

[1] *How to cite the article:* Chatterjee A (March 2025); The Interface Of Trademark With Competition Law; Comparative Advertisements And Disparagement Issues; *International Journal of Law, Management and Social Science*, Vol 9, Issue 1, 54-58

[2] Marina Iskander, A critical assessment of the impact of trademarks and the newly recognised 'modern functions' on competition, September 2019, available at -: https://ssrn.com/abstract=3493329

[3] Mandly, C.R., 'Article 82 of The E C Treaty and Trademark Rights' [2003] 93(6) The Trademark Review 1314-1353

The next concern is with respect to trademark congestion- when many people go after a mark or rather prefer using such similar marks, there is congestion and confusion together with allegations of trademarks being restrictive and anti-competitive. In this sense, a kind of trademark called descriptive marks needs to be scrutinised- these are very general names that are not fanciful or arbitrary and, as such, can only be registered when they have acquired a secondary meaning or some distinctiveness in the market.[4] A famous article[5] shows that with limited linguistic jargon and diction, successive entrepreneurs are finding it very difficult to get a new name- hinting at the impracticality of infinite novelty with finite alphabetical combinations in the language. But at the same time, descriptive trademarks offer an easy indication for the consumers[6] who find it easier to relate with goods and locate them as descriptive marks are somewhat common knowledge about the genre or nature of goods that they represent, as compared to the fanciful or arbitrary marks that need to spend a lot of cost and efforts on establishing the relationship between the name and the kind or nature or class of goods that they represent. However, this does not solve the crisis with descriptive marks and trademark congestion – because as the number of existing suggestive and descriptive marks increase, the less there is availability of existing marks to be used as trademarks in a limited linguistic space.[7] Descriptive use if marks offers a brilliant positioning to the brands who can instantly develop a connection with what they want to sell and it does cast an impact on new entrants to the market.

Here comes the line of reconciliation – law or the Registry , acting in accordance with due process of law needs to engage in the proper screening of the marks so that no anti-competitive adjustments or impacts are tolerated and further incentive is promoted – these screenings take place through the step by step procedural safeguards of investigating trademarks before granting them a registration certificate. Both *costs*, and the satisfaction of the presence of "*secondary meaning*" act as screens to regulate this process.[8]

BRAND PROMOTION AND TRADEMARK – COMPARISON VERSUS COMPETITION

The development of a brand is like the creation of an identity – it needs a name, a sign, or a symbol to be represented, and it has to be communicated to the wider public, often through the medium of advertisement. This is a channel of communication through which ideas are propagated, and the brand, which is a label for the goods it endorses, gets recognition from the people. Trademark becomes very important in brand building because it depends on goodwill- a trademark is used as an identity so that consumers can draw an association with the goods or services it seeks to represent initially. With increased and continuous usage over a long period of time, trademark becomes the true identity of the product and any reference to the product is made through the trademark itself. Hence, the legislation covers the aspects of comparative advertisement, which is often used as a sales tactic. In promoting a brand, there is a natural tendency to establish its superiority or its nature and quality beyond any competitive products in its genre. While advertising is a positive process in which the importance and qualities of the product are communicated to the wider public, comparative advertising shows other products in addition to the one it seeks to promote. There must be some reasonable checks and balances on the kinds of, nature and language of the comparative advertisements.

Comparative advertisements do not find proper definitions in the statutes, nationally or internationally, but there are certain references to the same[9] which describe them as being comparative of the nature and quality of the products with expressions like "as good as", "better than" and such other comparative lingo. The main problem or cause of concern arises when these advertisements distort facts , and go to the extent of painting a negative image of a competing brand, called disparagement, which has been defined in the Black's Law Dictionary[10] which describes it as an attempt to connect things unequally, attract consumer attention through malafide ways, detract the attention of customers from someone's product, or negative implication of a product which is not based on true facts. These are tactics of a fast-paced advertising world where there is a huge list of options to try and select from, and all the brands

[4] Christopher Buccafusco, Jonathan S. Masur, Mark P. McKenna, Competition and Congestion in Trademark Law, University of Chicago Law School ,Chicago Unbound Coase-Sandor Working Paper Series in Law and Economics, 2022, available at - file:///C:/Users/User/Downloads/Competition%20and%20Congestion%20in%20Trademark%20Law.pdf

[5] Justin Fox, We're Going to Run Out of Company Names, Bloomberg View (Jan. 13, 2017), https://www.bloomberg.com/view/articles/2017-01-13/we-re-going-to-run-out-of-company-names https://perma.cc/32P7-NTWJ Last visited on 12/03/2024

[6] Mark P. McKenna, Property and Equity in Trademark Law, 23 Marquette Intellectual Property Law Review 117 (2019).

[7] William McGeveran, Rethinking Trademark Fair Use, 94 Iowa Law Review. 49 (2008).

[8] Irina D. Manta, In Search of Validity: A New Model for the Content and Procedural Treatment of Trademark Infringement Surveys, 24 CARDOZO ARTS & ENTERTAINMENT LAW JOURNAL 1027, 1036 (2007)

[9] Council Directive 84/450/EEc of 10 September 1984

[10] Garner Bryan, A Balck's Law Dictionary, 7th edn., (West Group, Minnesota) 1999.

are engaged in constant competition to secure the maximum customer base and eradicate competition. It is precisely at this juncture that disparaging or comparative advertisement connects with competition and trademark laws.

The intersection of advertisements, brands and trademarks needs to be analysed from a historical perspective. The nature of trademarks has changed over the years with a marked shift as to why they are being used, from being used as signs and symbols[11] to being brand indicators; the entire evolution is a product of economic growth and dynamic sales strategies of the corporate market boom. There are two schools of thought, namely Havard School and Chicago School, which offer varying explanations for this evolutionary perspective.

The Havard school, which was widely referenced in phases of the 1930s and 1970s , was a stage of legal realism and a marked judicial uncertainty around the subject of trademarks as well. Ralph S Brown is a renowned scholar who pioneered this school of thought, and he considered trademarks to be brand symbols or identity markers with the help of which competition was insulated in the market and a high barrier to entry was created. He interpreted this as a capitalist waste of resources – a strategy by way of which information was not just shared or disseminated but a demand created for a particular product in the market. Advertisements, according to him creates a persuasive consumer- product equation in which the consumers are pushed to buy something and the brand owners or business owners use this tool to create a safety net for their products in the market – creating an inclination towards their products in order to save themselves from the perils and insecurities of a competitive market.[12] So trademarks became that means , or that manifestation on which customers placed their trust, reliance and faith when they were convinced about the quality of a particular product. Havard School efficiently related how advertisement works in strengthening the function ability of a trademark – hich ceases to be just a sign and slowly develops an identity of its own. Business depends a lot on what people perceive to be good and the high emotional quotient of persuasive advertisement, keeping its focus on the trademark just worked well.

The next school of thought is the Chicago School[13] which had its emergence in 1980s and still bears a strong relevance in contemporary market economics and trademark regime. The view of this group of scholars was – trademark acting as a brand symbol also indicated origin and source of goods, and that helps people choose the suitable goods, thereby lowering cost and efforts of searching . This school emphasised on the marketability quotient of trademarks , from the angle of marketing and commerce 1980s was the period of trade boom , with a rapid increase in intercontinental and domestic trade, bulging of business houses and a consumption revolution among the consumers. It completely disagreed with its predecessor and opined that trademakrs set the standard of quality which helps consumers , so it encourages competition as all the other brands try hard to reach that level and in doing so, there is a check on quality and a space for competition , both. Hence advertisements were not viewed as persuasive but rather perceptive by the scholars[14], encouraging competition on more than one levels.

The growing intersectionality of trademark and brands[15] transformed the function of trademarks as symbols of tracing an origin or correlation with the producer of the goods. The garnered trust, goodwill and consumer choice coalesced on the identity of the goods, which in each case worked differently, exploring the unique intermixing of market, society, status and politics. Hence the advertising strategy slowly shifted towards symbolising the product more than actually describing it.

Brands today are an indicator of customer choice and satisfaction[16] as it helps establish a foundation of loyalty, which grows out of preference and slowly transforms itself into a symbol of lifestyle. Prada, Gucci, Zara,Fog, Britania, Lays, have all earned reputations associated with economic standards and lifestyles.

[11] Fhima Ilanah, 'Trademarks and free speech' [2013] Online(Online) International Review of Intellectual Property and Competition Law 293
[12] Ralph Brown, "Advertising and the Public Interest: Legal Protection of Trade Symbols" [1948] 57(7) The Yale Law Journal 1165, 1169

[13] William M Landes and Richard A Posner, 'Trademark Law: An Economic Perspective' [1987] 30(2) The Journal of Law & Economics 265-309

[14] Nicholas Economides, 'Trademarks' [1998] New Palgrave Dictionary of Economics and the Law, 8

[15] Kiran Kumar Yadav. N, "A STUDY ON RELATIONSHIP BETWEEN TRADEMARKS AND BRAND" Globus An International Journal of Management & IT A Refereed Research Journal Vol 6 , No 1 , Jul – Dec 2014 , ISSN: 0975-721X, available at -https://globusjournal.com/wp-content/uploads/2018/07/617Kiran.pdf

[16] Bloomer, J., & Kasper, H. (1995). The complex consumer satisfaction and brand loyalty. Journal of Economic Psychology, 16(2), 311–329.

COMPARISON AND DISPARAGEMENT – THE NEW INTERFACES WITH TRADEMARK

Comparison and Disparagement are certain unconventional angles to understanding the trademark domain in 21st-century market dynamics.A series of judicial pronouncements have clarified a reasoned approach in this area – In the case of *Irving's Yeast Vite Ltd v FA Horse-nail*[17] and in the case of *Pepsi Co Inc and Anr v*

Hindustan Coca Cola and Ors[18] it was held that any form of comparative advertisement amounts to an infringement of trademark of the brand which is referred to as a comparative example, if they are not done as per honest standards and has an element of disparaging remark or attempts to disrepute the goodwill of the product in the market. This is in line with the legislative provisions of section 30[19] and section 29(8)[20] of the Trademarks Act 1999. While the statute provides for this indirect form of infringement, it also carves out a reasonable exception to the legislative rule in order to put limits on the monopoly or exclusivity of the trademark user and, at the same time, encourage competitive advertising. The limits and extent of this competitive spirit should not go against the trademark or the user who is being referred. In the case of *Reckitt & Colman of India Ltd. v. Kiwi T.T.K. Ltd*, the plaintiff was engaged in the sale of a brand of liquid shoe polish under the trademark Cherry Blossom Premium Liquid Wax Polish, and the defendant was also manufacturing a similar product under the brand of " KIWI", and in this case, the position of comparative advertisement and disparaging comments were analysed separately – while claiming one's product to be best and of supreme quality is an assertive claim which is permitted in the era of aggressive marketing, but making a negative comment about the competitor's products is completely unwarranted and will be challenged as infringement.

This tendency towards making a negative impression about one's competitors is a product of a cutthroat market where the stakes are high, and every business wants to capture the lion's share of the consumer base. In doing so, they resort to tactics of aggressive selling – a product of marketing dynamics since the 1980s when the brands or available options expanded, and with economic prosperity, the buying power or capacity of consumers increased too. Advertising became more of a persuasion – appealing to the senses, logic and reasoning in order to somehow convince consumers to buy a particular product and not a medium of passing on information so that the consumer makes a conscious choice. This shift saw a rise in this sort of comparative advertisements, and the producers were ready to do away with honest practices to secure better gains somehow. The case of Dabur India Limited v. Colgate Palmolive India Ltd is one such case where the market rivals had resorted to an open deprecation of other's products in the name of "puffing" or asserting superiority in the quality of the product. This was held to be not permissible and an act of infringement through disparagement. In the case of Hindustan Lever v. Colgate Palmolive (I) Ltd, the facts or rather the acts of the plaintiff here were quite tricky as when they introduced their product "New Pepsodent" through an advertisement which focussed on how it was superior and unique, there was a reference made to Colgate, where the actor in the advertisement was found to say the brand name, but the audio was purposely muted however the lip movement made it clear as to which brand he was referring to, supported by the jingle of the same. The court had taken a strict stance, and even though discreet and indirect, this act was an attempt to disrepute Colgate and its product. Very soon, the standards of an advertisement that could be held as disparaging came to be clarified with the decision in the case *Dabur India Ltd v. Wipro Ltd*,[21] where the following parameters were held – purpose, style, plot and the message which it intends to pass on, need to be carefully analysed to find whether the comparison is on some pertinent, verifiable grounds or facts. The advertisement does not attempt to create confusion in the minds of the consumers or try to denigrate the product quality through the use of false claims with the registered trademark sign of the product.

There is another interesting angle to this advertisement issues with reference to free speech or the constitutional guarantee given by the Indian Constitution –Article 19(1)(a)[22]. With reference to advertisements, they are a form of commercial speech by which any particular business or brand promotes itself and establishes a communication system

[17] (1934) 51 RPC 110

[18] 2003 (27) PTC 305.

[19] *(a) is in accordance with honest practices in industrial or commercial matters, and (b) is not such as to take unfair advantage of or be detrimental to the distinctive character or repute of the trade mark*

[20] *(8) A registered trade mark is infringed by any advertising of that trade mark if such advertising—*
(a) takes unfair advantage of and is contrary to honest practices in industrial or commercial matters; or
(b) is detrimental to its distinctive character; or
(c) is against the reputation of the trade mark.

[21] Dabur India Ltd v. Wipro Ltd., 2006 32 PTC 677 Del.

[22] Mr. Ashish Kumar Lammata & Dr. K. Sita, COMPARATIVE ADVERTISEMENT IN INDIA: A JUDICIAL ANALYSIS, Alliance Journal of Intellectual Property Law (AJIPL) Volume: 1, Issue: 1, 2023 , e-ISSN: 2584-0363

to connect with prospective buyers in the market. In the case of *Tata Press Ltd. v. MTNL & Ors*[23], the Apex Court ruled that the element of "commercial speech" falls within the protection granted by Article 19(1)(a) of the Constitution. However no clear definition was provided to the concept of commercial speech. The court ruled in supporting the exercise of advertising as it is crucial for a democratic market economy where sellers painstakingly make an attempt to spread information about the products and consumers benefit from the same, but this cannot possibly excuse any spread of misinformation under the garb of a fu7ndamental immunity. The court while deciding on the Colgate Palmolive case [24] made a clear distinction with reference to what a seller can contend with respect to one's product and when the line is crossed. The maxim of civil law "*simplex commendatio non obligat*" which means that a simple recommendation about a thing need can be an invitation for a customer to try out the produyct and the seller can void responsibility of the same, but it will be permissible only when it communicates something about the product which the seller intends to sell and not any other product or any comment , that is false and baseless rhetoric to push sales. This position as further exemplified in the case of Dabur India Ltd. v. Wipro Limited, Bangalore[25] where a reference was made to Halsbury's Laws of England – "*It is actionable when the words go beyond a mere puff and constitute untrue statements of fact about a rival's product*." The ornamental representation of one's own product can never be disallowed, as it operates as a marketing strategy, but the point at which this strategy changes into an attempt to use , refer or connote another product by its name, a trademark issue arises.

The position established in India is quite similar to UK which also carves out a similar legislative provision by virtue of section 11(2) of their act[26] that allows a comparison of products only when it is fair, honest and a genuine indication of quality or price and in deciding the whole advertisement needs to be analysed and not a part thereof. In the case of De Beers Abrasive Products Ltd. v. International General Electric Company of New York Ltd.[27] certain allegations were made about the product of the plaintiff in pamphlets distributed by the defendants, and the court interpreted this to be disparagement as there was a reference to the competitor's product firstly and secondly inserted the test that it should convince a reasonable man to develop a negative impression about the product being disrepute.

SUGGESTIONS

1. Advertisements are indispensable in marketing, and the intensity and persuasion with which products are and will be marketed are not going to die down with increasing competition and brand wars. Hence, one supervisory agency – ASCI Advertising Standards Council of India, needs to ramp up its measures and give strict warnings to violations
2. Trademark aspect and infringement by virtue of 29(8) and Section 30(1) of the Trademarks Act, 1999 has to be enforced either by the Registry or the courts in respective stages of the dispute
3. Sustainable coexistence models can also be tried out as reasonable solutions so long they are permissible within Competition regimes and not anti-competitive in any way. Such a solution can be in the form of Trademark coexistence agreements[28] with demarcations as to specific regions or geographical boundaries so that the same or similar trademarks can exist without litigating or interfering with one another.

AUTHOR BIOGRAPHY

An ambitious scholar of law, currently pursuing phd at the prestigious Calcutta University, who is a masters in Intellectual Property Laws from National University of Juridical Sciences (WBNUJS) and a graduate with full 100 percent Ashok K Chauhan scholarship from Amity University Kolkata. With over 55 publications both nationally and internationally, legal philosophy and dynamism drives me everyday.

[23] Tata Press Ltd. v. MTNL & Ors., (1995) 5 SCC 139.

[24] Colgate Palmolive (India) Ltd. v. Hindustan Lever Ltd., (1999) 7 SCC 1 1999.

[25] Dabur India Ltd. v. Wipro Limited, Bangalore, 2006 (32) PTC 677
[26] UK Trade Marks Act, 1994
[27] [1975] 1 W.L.R. 972 (1975)
[28] Nancy G Gerakini, "What can trademark coexistence agreements learn from patent settlements?" February/March 2014 World Trademark Review, available at - www.worldtrademarkreview.com