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## Article

### Comparative advertising - Acceptable competitive behaviour and law of disparagement

By **Nupur Kumar**

Advertisement is the act of making a representation in any form in connection with a trade, business, craft or profession in order to promote the supply of goods or services<sup>1</sup>. Advertising serves as a tool to promote vigorous competition and public enlightenment but when it oversteps the ethics of generally accepted competitive behavior and in comparing products, denigrate another's product, the role of regulation comes in.

To ensure that the advertisements in India observe fairness in competition and do not exercise undue influence on the consumer's need to be informed on choices in the marketplace, the Advertising Standards Council of India (ASCI) was established in the year 1985 to achieve self regulation in advertising. Interestingly, ASCI also takes under its wings any written or graphic matter on packaging in the same manner as any advertisement in any other medium.<sup>2</sup> Although comparative advertising is not defined under the ASCI Code, Chapter IV of the ASCI Code permits advertisements containing comparisons with other manufacturers, or suppliers, or products, including those where a competitor is named, in the interests of vigorous competition, provided that the aspects being compared must be clearly mentioned, the comparison is factual, accurate and capable of substantiation, there

is no likelihood of the consumer being misled and that the advertisement must not denigrate, attack or discredit other products, advertisers or advertisements, directly or by implication.

Section 29(8) of the Trademarks Act, 1999 (the Act) provides for situations when advertisement of a trademark constitutes infringement and includes any advertisement contrary to honest practices in industrial and commercial matters; or is detrimental to its distinctive character, or is against the reputation of the mark. Further, Section 30 (1) of the Act, impliedly allows comparative advertising as an exception to Section 29 by stipulating that an act in accordance with honest practices in industrial and commercial matters and that is not taking unfair advantage or is detrimental to the distinctive character or repute of another trademark, does not constitute infringement and is thus by deduction allowed under law. Thus, comparative advertisement is allowed under law unless an advertisement is disparaging or denigrates a product and/ or a trademark.

#### *Meaning of disparagement*

The division bench of Delhi High Court in *Pepsico. v. Hindustan Coca Cola*<sup>3</sup> stated that advertisements leave an indelible impression in the minds of the viewers and to decide the

<sup>1</sup> As defined under Article 2 (1) of the Advertising Directive of European Economic Community

<sup>2</sup> The ASCI Code for Self-regulation in Advertising, definitions

<sup>3</sup> 2003(27)PTC305(Del)

question of disparagement the following is to be considered :-

- Intention of the commercial;
- Manner of the commercial; and
- Story line of the commercial and the message sought to be conveyed by the commercial.

Further, the Division Bench observed that only if the ‘manner of commercial’ is ridiculing or condemning the product of the competitor, it amounts to disparagement and is actionable but if the manner is only to show one’s product better or best without denigrating other’s product then that is not actionable.

### *Comparative advertising - extent of comparing allowed*

The extent and degree of comparison between competitors, allowed under law is the main contention that is raised before authorities. In this regard, the courts have held that tradesmen may compare and create an impression in the minds of the consumers about their products being superior or of better quality but in no way can one lower the value of the competitor’s product.<sup>4</sup> In the recent case of *Havells India Ltd. v. Amritanshu Khaitan*<sup>5</sup> before the Delhi High Court, a new dimension was provided to the extent of comparisons allowed under comparative advertising.

### *Brief facts*

In this case the plaintiff seeking to restrain misleading and disparaging advertisement, had challenged the promotional campaign/

advertising of the defendants wherein the defendants compared their product i.e. ‘Eveready LED Bulb’ with the plaintiffs’ product i.e. ‘Havells LED Bulb’. According to the plaintiff the advertisement of the defendants resulted in disparagement and misrepresentation besides misleading the consumers. According to the plaintiff the slogan of the defendant – “check lumens and price before you buy” was a selective and mischievous means of comparing two products, thus inciting the consumers to only compare two attributes of a bulb, i.e., lumens (brightness) and price. The plaintiff contended that by comparing only the two attributes, the defendants’ advertisement created an impression that the defendants’ product provided better value for lesser price. Thus, all relevant attributes connected to the value of the bulb had to be fairly disclosed and not only a few attributes thereby comparing in a tricky and misleading manner. The defendant contended that the representations made in the advertisement were true and made solely based on the information derived from the product packaging of the plaintiff. The defendants further contended that there was no requirement under law to disclose each and every factor in comparative advertisement and as the relevant factors had been disclosed and compared, no action for disparagement would lie. The defendant relied upon *Dabur India v. Colortek Meghalaya*,<sup>6</sup> which held that glorifying one’s product was permissible provided the rival’s product was not denigrated.

<sup>4</sup> *Reckitt and Colman of India Ltd. v. M.P. Ramachandran* [1999(19)PTC741(Cal)]

<sup>5</sup> 2015 (62) PTC 64 (Del) dated March 17, 2015

<sup>6</sup> 167 (2010) DLT 278 (DB)

## *Findings of the Court*

The Court observed that comparative advertising can be resorted to only with regard to like products. It was observed that comparative advertising is permitted when the following conditions are met:

- Goods or services meeting the same needs or intended for the same purpose;
- one or more material, relevant, verifiable and representative features (which may include price);
- products with the same designation of origin (where applicable)

The Court further made an important observation in the field of comparative advertising that mere failure to point out a competitor's advantages is not necessarily dishonest. However, care must be taken in ensuring that statements of comparison with the competitor's product are not defamatory or libelous or confusing or misleading. Thus, it was held that under Indian law, there was no requirement to necessarily compare all features of a product in an advertisement. The High Court further reiterated that certain amount of disparagement is implicit in comparative advertisement.

In the light of the above observations, the Court held that it was open to an advertiser to highlight a special feature/ characteristic of one's product which sets it apart from its competitors and to make comparisons as long as it was true. The Court also held that mere trade puffery, even if uncomfortable to

the registered proprietor, did not bring the advertising within the scope of trade mark infringement.

## *Conclusion*

Comparative advertising has become an effective tool as a marketing strategy for manufacturers which enables a manufacturer to show the superiority or better value of its products over others. Whether such an advantage is conferred on the basis of substantiated facts or based on the whims of the advertiser/ manufacturer is the moot point which requires regulation and restraint.

Chapter IV of the ASCI Self Regulation Code which makes comparative advertising permissible makes an attempt to regulate the extent of comparison that may be allowed, keeping in mind the fairness in competition. It states that the comparative advertising is allowed provided '*The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain is offered than is truly the case*'<sup>7</sup>.

The test as mentioned, above, under the ASCI Code should perhaps be treated as the yardstick to allow/ restrain the extent of comparison allowed while deciding whether an advertisement is just comparative in nature or in fact is misleading, denigrating or discrediting from the point of view of a consumer.

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<sup>7</sup> Chapter IV (1)(b) of ASCI Code for Self regulation in advertising

## Ratio Decidendi

### Copyright law does not bar remedy against breach of confidence

In a suit involving breach of confidence action which also alleged infringement of copyright, the Bombay High Court has granted interim injunction restraining the defendant from releasing the offending film alleged to be based on the script/screenplay of the plaintiff. Noting differences between the statutory right of protection of copyright and the common law right of protection of trust or confidence, and observing that protection of confidence is a broader right than the proprietary right of copyright, the High Court considered the facts of the case in the light of the law of breach of confidence. It noted that Section 16 of the Copyright Act does not abrogate any right or jurisdiction to restrain a breach of trust or confidence, and that while copyright protects the expression of an idea or plot, breach of trust/confidence protects the idea/plot itself if the same has been sufficiently developed and communication to the other party proved.

On the question as to whether the screenplay of the petitioner could be termed as 'novel' in order to protect the same as copyright or confidence, the court noted that 'novelty' or 'originality' of an idea or work of art or literature does not imply that it should not have been derived from what is already available as public knowledge. It was found that a number of individual components of the petitioner's screenplay were known or common but, their unique combination gave 'novelty' or

'uniqueness' to the material, and hence the same merited recognition as confidential information. Noting that essential elements of the screenplay of the petitioner appeared to have been used in the defendant's film, the Court was of the view that the plaintiff had arguable case that the material was actually used by the defendant. Granting interim injunction, it held that damages in the case were not capable of being compensated in money. [*Jyoti Kapoor v. Kunal Kohli* – Notice of motion (L) No. 490/2015 in Suit (L) No. 176/2015, decided on 19-5-2015 Bombay High Court]

### Patents – High Court rejects petition seeking directions for change in procedure for divisional patent applications

The Delhi High Court has dismissed the petition seeking directions to amend certain procedures under the Patents Act relating to filing of divisional patent applications. The petitioner was of the view that certain companies, in order to keep the patent applications pending, were filing divisional patent application based on patent application filed earlier, which was helping them to keep a patent application over a particular medicine alive and the same created uncertainty over the patent status of the medicines. The petition had sought directions to Ministry of Commerce and Industry, Controller General of Patents and Joint Controller General of Patents and Designs, to act in a particular manner including *in limine* rejection of all divisional applications

with claims identical to that of the parent applications, without hearing the applicant on substantive issues of patentability.

Rejecting the petition, the High Court observed that provisions of the Patents Act or the Rules were not challenged. It noted that Section 158 did not empower the court to make rules in respect of proceedings before the Patent Office and found it to be beyond its jurisdiction to give direction to legislate. Absence of cause of action in this regard was also noted by the Court while dismissing the writ petition. [*Delhi Network of Positive People v. Union of India - W.P.(C) No. 2867/2014, decided on 7-5-2015*]

### Copyright – Reproduction of logo more than 50 times does not deprive owner of exclusivity

Section 15 of the Copyright Act, 1957 does not prevent the owner of copyright from claiming protection for the artistic work or

the label even if the same may have been used more than fifty times. Contention of the defendant with regard to mechanical reproduction of the logo for more than fifty times by industrial process preventing the owner of a copyright claiming exclusivity of the artistic work in the label, was rejected by the Calcutta High Court in this regard. Further, colour combination, get-up and layout of the two labels (used by the opposing parties) were found by the Court to be sufficiently similar from the stand point of a man of average intelligence having imperfect recollection. It was hence held that there was likelihood of misunderstanding the defendant's product as the one manufactured by the plaintiff. Finally granting permanent injunction, the Court held that the plaintiff was entitled to compensatory, nominal and punitive damages. [*Hawkins Cookers Limited v. Khaitan Pressure Cooker Pvt. Ltd. - C.S. No. 448 of 1990, decided on 10-4-2015, Calcutta High Court*]

## News Nuggets

### Raising IP awareness among children

Recently, the Indian Patent Office, launched a youth focused link on their website by the name of Kids Intellectual Property Series (KIPS) which is in the form of illustrated series as patent, trademark and design digests that would enlighten and make the youth more aware of the intellectual property issues. One of the digests named 'Intellectual property Rights - Creativity and Innovation' lists down the forms of IP in order to boost the curiosity

amongst citizens to learn more about intellectual property and need for its protection.

This initiative of IPO is akin to WIPO's range of publications on *Inventions and Patents*, *The Arts and Copyright*, *Your Own World of IP* and *WIPO Comic Books* especially targeting students between the age group of 9 to 14 years of age. United States Trade Marks and Patent Office also provides a youth focused page that includes interactive games and information targeting

children in the age group of 6-12, parents, teachers and coaches.

### When an interlocked toy is not essentially interlocked

A toy can be in any shape. Toys have provided enough infotainment from children to pets, to customs lawyers if one recalls the disputes over classification of Halloween costumes and flying discs for dogs to play with (HQ H240490, Canine Hardware Inc) and of course IP lawyers. So the CJEU in *Best-Lock v. OHIM* was not dealing with a novel situation. The mark in dispute was a three dimensional figure registered for 'Games and playthings; decorations for Christmas trees'.

Challenging the registration, the applicant argued that since the shape sought to be registered was determined by the nature of the goods - building blocks and the possibility

of joining them to other interlocking building blocks for play purposes. The applicant said that this was an absolute ground for refusal to register and since it incorporates a technical solution and it would impede the use of the same by other manufacturers. However, neither the OHIM, nor the CJEU were convinced. It was observed that the figure in question was like a manikin used for play purposes. The fact that the figure represents a character and may be used by a child in an appropriate play context is not a 'technical result'. The CJEU emphasised on the word 'sign consisting exclusively of shape necessary' to obtain the result. Also the coupling elements which enabled joining of different blocks were not among the essential characteristics of the trademark and did not allow the figure to be joined to interlocking building blocks.

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