

Question Q 151

The impact of advertising restrictions on trademarks

Previous study groups underlined the fact that this was a new question for the AIPPI because, although it has been possible to study some aspects of advertising within the framework of the previous work of the Association, the matter of increasingly common advertising restrictions and their influence on the validity and the exercise of a trade mark right has never been studied by the AIPPI.

The Reporter General has received 26 reports from national Groups: Germany, Australia, Brazil, Bulgaria, Korea, Denmark, Egypt, Spain, United States, Finland, France, Hungary, Indonesia, Israel, Italy, Japan, Mexico, the Netherlands, Portugal, United Kingdom, Sweden, Switzerland, Singapore, Thailand, Uruguay and Yugoslavia.

The New Zealand Group has submitted the legislative texts which apply to this matter in its country.

After mentioning the principles of their national laws concerning the validity and exercise of rights resulting from the registration of trade marks, the Groups replied to the questions posed in the study groups and gave a very comprehensive presentation of the rules which, in their countries, govern any restrictions in the field of advertising.

1. Measures restricting the advertising of certain goods or services

The Groups were invited to describe the state of the statutory law relating to advertising practice in their countries, especially as regards prohibitions or restrictions on the advertising of certain goods and services.

1.1 A reading of the Groups' reports shows that, in the majority of countries, those measures are of legislative or statutory origin and are therefore imposed by the legislator.

The American Group indicates that its country has adopted a system of voluntary regulation which is applicable especially to tobacco and alcohol advertising. However, even in the United States, the advertising of medicaments and certain services is controlled.

On the other hand, it is observed that, in all countries, advertising restrictions or prohibitions apply generally in two cases:

- owing to the nature of the products and the danger they represent to health (alcohol, tobacco, medicaments),
- owing to social structure: this concerns either ethical rules, especially for legal or medical services, or limitations on some activities such as those relating to games or lotteries, which is the case in the United States and the Netherlands.

- 1.2 Non-observance of rules restricting or prohibiting some types of advertising is always subject to penalties.

Only the Hungarian Group indicates that its country's rules on advertising practice do not prescribe penalties.

- 1.3 In addition, it emerges from almost all of the Groups' reports that rules relating to advertising restrictions or prohibitions do not contain specific provisions relating to trade mark law.

However, legislation in Singapore on the indirect advertising of tobacco includes provisions which are expressly aimed at the status of product or service marks.

The same situation exists in France, likewise in respect of tobacco.

Furthermore, the Community Directive of 6th July 1998 concerning the prohibition of tobacco advertising and sponsorship applies also to trade marks within the framework of the provisions prohibiting indirect advertising.

Thus, apart from those exceptions, it is only the provisions of national trade mark laws which apply in determining the conditions of validity and use of trade marks relating to goods or services that are subject to advertising restrictions or prohibitions.

2. The influence of restrictive rules in respect of advertising on the validity and the registration procedures of trade marks

Since legislative or statutory texts relating to restrictive measures in respect of advertising do not generally contain rules relating to trade marks, the Groups have indicated that it is the laws relating to trade marks that contain the provisions that can be invoked in the event of the application of advertising restrictions.

- 2.1 The majority of groups indicate that the provisions provided for in trade mark laws prohibit registration of trade marks that are contrary to public order or morals.

But some groups (for example: the Spanish group) consider that these are not provisions which can be likened to restrictive measures in respect of advertising.

However, in some countries, public order exceptions may be invoked by third parties to oppose the registration of a trade mark. The French Group indicates that, in its country, third parties can submit observations to the National Institute for Industrial Property, which deals with the granting of trade marks, in order to contest the validity of a trade mark registration application. The Japanese Group observes that it is also possible to intervene in Japan where consumers' associations can intervene in the granting procedure to contest the legality of the application for registration.

However, the Finnish Group indicates that, although such intervention would appear to be theoretically possible according to national law, it is very unlikely that a third

party, such as a consumers' association, could win a case in a procedure based more especially on advertising restrictions.

In other countries, considerations relating to advertising practice would be insufficient to justify taking legal action. This is the case in Denmark, the Netherlands, Italy, Sweden, Portugal, and also Yugoslavia.

However, the Swedish Group observes that, although it is impossible for a third party, such as a consumers' association, to bring an action invoking rules relating to advertising practice in order to oppose the registration of a trade mark, consumers' associations can take action on the basis of the prohibition of trade marks that are contrary to public order.

The Mexican Group indicates that it is not possible in its country to contest the registration of a trade mark during the granting procedure because the publication of the trade mark takes place after it has been registered, that is to say, when the title has been granted by the Trade Mark Office.

All the Groups emphasise that the rules relating to the bringing of an invalidity action in respect of a registered trade mark are those which result from the provisions of laws governing the status of trade marks and that it is therefore only on grounds specific to trade marks that it is possible to request that trade marks registered for goods or services subject to advertising restrictions or prohibitions be declared invalid.

- 2.2 The Groups also submitted replies with regard to the possibility of contesting the validity of a trade mark after grant on the basis of rules relating to advertising restrictions on certain goods or services.

The reports unanimously indicate that such an invalidity action is not possible.

No country provides for the possibility of contesting the validity of a registered trade mark on the basis of rules restricting the advertising of the goods or services covered by the mark.

- 2.3 It therefore appears that, as regards the validity of a trade mark, advertising restrictions have no influence on the existence of the trade mark right.

The independence of the question of the validity of a right relative to the particular conditions of use of such a right is thus confirmed.

3. The influence of advertising restrictions on the exercise of a trade mark right

Apart from aspects concerning the use of a trade mark generally, the question essentially concerned the impact that measures relating to the prohibition of indirect advertising may have on the exercise of trade mark rights.

Indirect advertising exists especially when a product or service is used under a trade mark identical to that existing for products or services which are subject to advertising

restrictions. An example would be the use of a trade mark to designate clothing while the same sign is used in parallel for alcohol.

In such situations, the trade mark of the goods subject to advertising restrictions may benefit from the publicity impact of the mark used for goods or services not affected by such restrictions.

But, conversely, the trade mark that is registered for goods or services not affected by advertising restrictions may see its value depreciate owing to the existence of an identical or similar mark covering goods or services affected by advertising restrictions.

3.1 First of all, all the Groups are of the opinion that advertising restrictions have no effect on the obligation to use a registered trade mark.

The reports underline the fact that advertising is only one means of using a trade mark because, as emphasised by the Australian Group, a mark can be used in different manners which are sufficient to establish use.

However, the Australian report adds that advertising is the easiest means of proving that a mark is being used and that, consequently, advertising restrictions increase the burden of proof weighing on the proprietor of a trade mark registered for a product or service affected by such a restriction.

The Spanish Group underlines that advertising restrictions should have no impact on the proof of use of trade marks.

The same position is expressed by other reports, especially those of the Italian, Danish and United Kingdom Groups.

However, the British Group remarks that proof of use of a trade mark for services affected by an advertising restriction can be difficult to provide and cites games and lotteries as an example.

The Yugoslavian Group cites the text of the trade mark law which provides that a mark is deemed to be used if it is used to advertise the goods and services covered by the registration of the mark. It also recognises that restrictions on advertising can pose a problem for the proprietor of trade marks designating goods affected by such an advertising prohibition.

3.2 The situation is very similar as regards rules relating to indirect advertising.

According to the Groups' reports, such rules are known in some countries (Singapore, France, Netherlands, Germany) and refer to prohibitions resulting not from trade mark law but from the prohibition of tobacco advertising.

In European countries, there is also the matter of the application of the Community Directive of 6th July 1998, the validity of which is currently being contested before the European Court of Justice following an appeal made by the Federal Republic of Germany.

Countries that prohibit some forms of indirect tobacco advertising do not allow the proprietor of a trade mark registered for products which can be freely advertised to request the invalidation of the same mark registered for tobacco on the basis of the rules provided for in trade mark laws.

The reports of the Dutch, Danish, British, and also Italian, Groups indicate very clearly that no provision of the rules relating to advertising permits the bringing of such an action.

However, the Italian group observes that, in such a hypothetical situation, the proprietor of a trade mark registered for a product not affected by advertising restrictions could invoke the general rules of civil liability to oppose the existence of the same mark for tobacco.

Furthermore, the French Group cites a decision of the Court of Appeal which gave a ruling to that effect in 1993, applying the general rules of civil liability.

The report of the Singapore Group notes that any invalidity action brought in respect of a trade mark registered for tobacco could be justified by the depreciation of the same mark used and registered for goods not affected by advertising restrictions, but notes the absence of precedents in this field.

It therefore appears that although, for a minority of Groups, an invalidity application brought in respect of a trade mark registered for tobacco by the proprietor of the same mark designating goods other than tobacco would be possible, such an action should, rather, be founded on rules of common law and it in any case appears rather theoretical.

3.3 The Groups were also to examine the matter of the effect of advertising restrictions on the use of a trade mark covering goods or services not subject to advertising restrictions, when the same mark covers goods or services subject to advertising restrictions.

The vast majority of the Groups consider that, in such a situation, advertising restrictions must not relieve the proprietor of a registered trade mark of his obligation to use the trade mark. This is indicated especially by the French, Swedish and Italian reports.

However, the German Group is of the opposite opinion and considers that advertising restrictions could constitute an excuse not to use a trade mark owing to the provisions of the European Directive of 6th July 1998.

Thus, countries having rules prohibiting indirect advertising do not seem to believe that those rules provide any justification for escaping the obligation to use a trade mark.

This is the opinion clearly expressed by the groups of Singapore, Great Britain, Denmark and the Netherlands.

- 3.4 The question put to the Groups was to establish whether the prohibition or the restriction of advertising had any impact on the evaluation of the notoriety of a trade mark.

The majority of Groups consider that advertising restrictions have no impact on the evaluation of the notoriety of a trade mark. This is the position of the Dutch, Danish, Egyptian, Mexican, British and also Swedish Groups who emphasise that the criterion of reputation can be met by other elements of proof.

In addition, no justification is advanced for the privileged treatment of trade marks designating goods affected by advertising restrictions.

The Swedish Group even observes that to grant such favoured treatment would be to go against the very object of advertising restrictions, the aim of which is to safeguard public health.

The Danish group adds that one of the most famous products in its country is a medicament which has never been the subject of any advertising whatever.

However, the Portuguese, Spanish, Japanese and Singapore Groups do not exclude the application of more tolerant criteria in examining the notoriety of a trade mark covering goods or services affected by advertising restrictions.

Thus, as mentioned by the Portuguese Group, although advertising is important, it is not the only element involved in the notoriety of a trade mark.

It emerges from the majority of the Groups' reports that it is not necessary to adopt privileged treatment for trade marks designating goods or services affected by advertising restrictions when evaluating the famous or well-known character of such marks.

- 3.5 The Groups were also to indicate whether rules relating to advertising restrictions could influence the existence of regional marks, such as the community mark.

Only the European Groups replied to this question but did not produce a unanimous reply.

Although the Spanish and Portuguese, and also Danish, Groups consider that differences in advertising restrictions from one country to another may have consequences for the fate of community marks, the opposite opinion is expressed by the reports of the British and Dutch Groups who, in contrast, assert that there is no reason in principle why there should be any conflict between national advertising restrictions and the status of a community mark.

This difference of opinion is probably due to the recent character of the community mark and the absence of precedents in this connection.

4. Possible harmonisation of existing national systems

- 4.1 The Groups were to set out any difficulties involved in applying national rules relating to advertising restrictions.

The majority of Groups emphasise that those rules do not in general give rise to any difficulty of interpretation. This is the position especially of the British, Swedish, Danish, Japanese, Mexican and Spanish Groups.

However, the Australian Group, while recognising that the application of those rules does not involve any particular difficulty, raises the question of the protection of a used mark which, in the modern-day world, has to be used in advertising.

In addition, it also regrets that advertising restrictions prevent any extension of the use of a mark, registered for goods affected by measures prohibiting advertising, to other goods, when such an extension generally constitutes a normal method of using a mark.

This opinion is shared by the Danish and Singapore Groups who emphasise the difficulties caused by prohibitions on indirect advertising and by the lack of precision in the texts of laws applicable in this matter.

Finally, the report of the French Group underlines the fact that, owing to the exceptional nature of the national law compared with other countries, there are a large number of difficulties resulting especially from the televised transmission of sporting competitions.

- 4.2 In general, the Groups consider that their legislation does not have to be modified and therefore seem to be satisfied with the state of the law in their countries as regards the effect of advertising restrictions on the validity and exercise of trade mark rights.
- 4.3 Likewise, the Groups do not make any particular recommendation regarding the development of international harmonisation in this field.

Only the French Group emphasises the need for international harmonisation owing to the particularly severe nature of the rules regarding advertising prohibitions and limitations.

The Portuguese Group emphasises that any harmonisation in the field of advertising would require very considerable effort which does not appear to be justified by what is at stake in this matter.

Conclusion

In the light of the Groups' reports, the AIPPI observes that in the vast majority of countries:

1. Measures restricting or prohibiting advertising are of legislative or statutory origin.

2. Advertising restrictions are essentially based on considerations coming under the protection of public health or under social structure.
3. Non-observance of measures restricting or prohibiting advertising is subject to penalties.
4. Laws restricting or prohibiting advertising do not contain specific rules applicable to trade marks.
5. It is the provisions of national trade mark laws that are applied in determining the conditions of validity and use of trade marks relating to goods or services subject to advertising restrictions or prohibitions.
6. Apart from the traditional exceptions coming under public order or morals, advertising restrictions have no effect on the procedures involved in the registration of trade marks relating to goods or services subject to advertising restrictions.
7. It is not possible to contest the validity of a registered trade mark on the basis of rules restricting the advertising of goods or services covered by the mark.
8. Advertising restrictions do not change the legal obligation to use a registered trade mark.
9. As regards indirect advertising, such as may result from the use of a product or service under a trade mark identical to that existing for goods or services subject to advertising restrictions, trade mark legislation does not provide justification for the proprietor of the trade mark that can be freely advertised to bring an invalidity action in respect of the trade mark that is subject to advertising restrictions.
10. Advertising restrictions do not release the proprietor of a trade mark covering both goods or services not subject to advertising restrictions and products or services subject to such measures from the obligation to use the trade mark.
11. Advertising restrictions have no effect on the rules for evaluating the famous or well-known character of a trade mark.
12. The effect of advertising restrictions on trade mark law does not, on a national level, cause sufficient difficulty to justify international harmonisation in this field.

The Working Committee is to confirm whether or not the AIPPI's doctrine can be laid down on the basis of the above observations. In particular, it is to study:

- (a) whether the rule set out in paragraphs 9 and 10 above relating to prohibitions or restrictions on indirect advertising is satisfactory or whether, on the contrary, as indicated by a minority of Groups, it should be adjusted as regards:
 - the use of a trade mark belonging to the same proprietor and covering both goods or services that can be freely advertised and goods or services that are subject to advertising restrictions,

- the use of a trade mark covering goods or services that can be freely advertised and the use of another, identical, trade mark covering goods or services that are subject to advertising restrictions, the two trade marks belonging to different proprietors.
- (b) whether the rule set out in paragraph 11 above relating to tests of the notoriety of a trade mark should not be relaxed if the goods or services covered by that trade mark are subject to advertising restrictions;
- (c) whether advertising restrictions imposed in a country belonging to a region in which a trade mark is registered in a unitary manner can have an effect on the exercise of rights conferred by such a trade mark;
- (d) and whether the solutions to any problems posed by the application of advertising restrictions to trade mark law must be sought in modifications to existing trade mark legislation or whether those solutions can be found in the general rules of common law.

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