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**Marco Lucchini  
Simone Verducci Galletti**

### **The truth is not enough: cases of comparative advertising in Italy**

**While a true comparison of product performance is the cornerstone of legal protection, it is only the starting point in designing an honest and fair advertisement**

In a communication-based economy, the issue of advertising is often of paramount concern for trademark owners, as companies allocate substantial marketing and communications resources to establishing a reputation or strengthening their position in the marketplace.

Comparative advertising is a straightforward tool, used to enhance the positive effects of commercial communications and thus maximise return on investment. Whereas traditional advertising spreads the message that a product or a service is good, comparative marketing communicates not only that a product or service is desirable, but also that it is better than another product. The comparison not only shows the advertiser in a favourable light, but also puts its competitor in the shade.

Due to its potentially denigrating message, comparative advertising – especially direct comparative advertising – has traditionally been mistrusted. It was prohibited in most EU countries until 1997, when the EU Comparative Advertising Directive (97/55/EC) allowed advertisers to refer explicitly to competitors .

Italy implemented the directive in 2000 and its national legislation has evolved in line with it since then. Today, comparative advertising is mainly governed by three regulations: Article 2598 of the Civil Code, Legislative Decree 145/2007 and the Code of Marketing Communication.

Article 2598 of the Civil Code defines ‘unfair competition’ in general terms, without reference to advertising. However, case law has exploited the broad provision under Article 2598(3) to include misleading, confusing or denigrating advertising within the definition of ‘acts of unfair competition’. Legislative Decree 145/2007 implements Article 14 of the EU Unfair Commercial Practices Directive (2005/29/EC) to lay down the rules under which comparative advertising is permitted. These prescriptions, with their EU origins, are familiar to member states. In Article 4 of the decree it is stated that lawful comparative advertising:

- is not misleading;
- compares goods or services that meet the same needs or are intended for the same purpose;
- objectively compares one or more material, relevant, verifiable and representative features of the goods or services, which may include price;
- does not create confusion in the marketplace between the advertiser and a competitor;
- does not discredit or denigrate a competitor’s trademarks, trade names or other distinguishing signs;
- relates to products with the same designation (in the case of products with a designation of origin);
- does not take unfair advantage of a competitor’s trademark or other distinguishing sign;
- does not present goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name; and

- should reflect the Code of Marketing Communication.

Designed as a body of rules for selfregulation, the Code of Marketing Communication is overseen by the *Istituto dell'Autodisciplina Pubblicitaria* (IAP), a private institution comprised of lawyers, communications experts and representatives of advertising agencies and investors in advertising. The Code of Marketing Communication forms the basis of a voluntary jurisdiction. It is binding only on entities that have accepted it, but it is nonetheless deeply influential, as all branches of the Italian media are part of the self-regulatory system. As a consequence, television and radio broadcasters and the press will not broadcast or display a marketing communication which has been deemed contrary to the code, even though the code is not enforceable against an advertiser which does not agree to it.

The National Antitrust Authority is the body mandated to apply and enforce the legislative decree. However, the IAP is increasingly the main forum for comparative advertising disputes, mainly because of its expert, high-profile judges and its reputation for delivering prompt, binding decisions. The courts, up to and including the Court of Cassation, have consistently stated that disobeying a judgment of the *Giuri* – the IAP's tribunal, a panel of jurists and communication experts – constitutes a breach of the unfair competition rules in Article 2598, exposing the party in question to an order of compensation for damages.

Article 15 of the Code of Marketing Communication comes into consideration when looking at the rules applied by the tribunal in the field of comparative advertising. Apart from a few formal differences, the article sets out substantially the same provisions as Article 4 of the decree.

### **Comparative marketing: handle with care**

A quick overview of two of the key elements of comparative advertising – denigration and consumer perception – provides a useful starting point for a critical analysis of the features of lawful and effective comparative communications.

Historically, the main concern in relation to direct comparative advertising was the danger of sparking an ongoing struggle between two firms, with the risk of constant reciprocal denigration. However, the Comparative Advertising Directive obliged states to allow direct comparative advertising, which was seen as a means of enhancing competition and helping consumers to choose the most appropriate goods or services.

EU legislation prohibits denigration in the interests of preserving fair competition.

Nevertheless, in comparative advertising based on performance, it is not always easy to strike a balance between a valid claim of appropriateness or superiority and the way in which advertisers communicate the advertised qualities. Italian courts have followed a practice of prohibiting advertisements with denigrating elements, even if they present lawful and useful comparisons. The choice in favour of fair communication, even to the detriment of consumer information, is clear from the decision in *ING Direct NV v IW Bank Spa* (121/2006). The IAP's tribunal considered a commercial communication in which a coach (symbolising the advertiser) smashed a pumpkin, which represented a well-known figurative trademark that had been used to identify ING Direct for several years.

The image was held to communicate a denigrating message, leading to a finding against the advertisement. As such, it was unnecessary to consider IW Bank's claim that the advertisement was true and useful in allowing consumers to choose a more suitable and appropriate service. *Assobioplastiche v Società Generale Distribuzione SpA* (73/2011) concerned the advertising of a reusable shopping bag made from a natural fabric. The advertisement in question claimed that the bag was better than biodegradable plastic bags in terms of convenience and resistance. It conveyed this message with an image of a hand carrying a biodegradable bag tearing under the weight of its contents. The IAP's tribunal acknowledged the veracity of the advantages claimed by the advertiser. Nonetheless, it considered that the image conveyed the message that biodegradable plastic bags always tear and are thus unusable. Therefore, the advertisement was held to be denigrating.

However, the motivation to protect companies from denigration does not imply that consumers' views are not considered when evaluating comparative advertising.

Consumer perception is central to an assessment of comparisons, as highlighted in *Manetti–Roberts SpA v L’Oréal Italia SpA* (55/2010). The case concerned an advertisement for a new deodorant containing mineralite, a substance that was claimed to be “five times more absorbent than talc”. The Italian market leader, a producer of talc-based deodorants, brought a case before the tribunal, alleging that the advertiser was falsely claiming that its deodorant was five times more effective than the defendant’s product.

The advertiser managed to prove that its claim was true, but the court declared the advertisement to be contrary to Article 15. It stated: “In comparing the efficiency of two components with the same function, the advertiser compares not only the ingredients, but also, implicitly, the products which contain them (ie, deodorants). Thus, consumers are led to believe that the superiority of one ingredient implies the superiority of the product containing it, and that the advertiser’s deodorant absorbs more than the competitor’s. This fact was not proven.”

Even though the advertiser had truthfully claimed that the new ingredient’s absorbency was five times greater than the main competitor’s ingredient, the tribunal decided that making the performance of one element the crux of the communication could mislead customers, especially as the superiority claim was not borne out by superior performance of the advertised deodorant. This decision highlights the tribunal’s particular concern for the consumers to whom marketing communications are addressed. The tribunal will undertake an indepth evaluation and consider the performance comparisons in the advertisement in context. The truthfulness of a claim will not be enough to save an advertisement if the overall message, as perceived by consumers, may be misleading.

Companies that choose to advertise their products by comparing them with competing products must bear in mind that the burden of proof is far from light. It involves not only statistical comparisons, but also the truthfulness of the overall message as perceived by the public. Communicating verifiable data is not enough to put a comparative advertisement beyond legal challenge. A true comparison of product performance is the cornerstone, but it is only the starting point in designing an honest and fair advertisement. It must communicate a comprehensive, consumer-orientated message that constitutes a valuable source of non-misleading information which is useful in orientating the public’s commercial choices.

*Authors: Marco Lucchini and Simone Verducci Galletti*

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