

ADVERTISING & MARKETING BULLETIN

June 2006

CHEETAH AND HARE: COMPARE WITH CARE

During the last Winter Olympics, Rogers Communications Inc. launched a lawsuit against BCE Inc., alleging its wireless advertising campaign "disparages, denigrates, discredits, tarnishes and diminishes" the Rogers brand and otherwise depreciates the value of the ROGERS trade-marks, contrary to section 22 of the *Trade-marks Act* (the "TMA").¹ One such ad featured a race between a cheetah, which the voice-over said represented Bell, and a hare, which was said to symbolize Rogers Wireless, to prove which company had the fastest wireless high-speed service. At the start of the race, the cheetah devoured the hare, then gagged and regurgitated it. A cell phone screen was then displayed with the statement: "New Hi-Speed Network 5X faster than Rogers". Rogers sought unspecified damages and a permanent injunction to stop Bell from running the ads and using the ROGERS trade-marks.

The facts of this case present a good opportunity to review some points to keep in mind if you are planning to use one of your competitor's trade-marks in a comparative advertisement. The Rogers and Bell case is being used to illustrate these points and this bulletin is not meant as a comment on the case itself.

DEPRECIATING THE VALUE OF GOODWILL IN A TRADE-MARK

It is an offence under section 22 of the TMA to use a trade-mark *registered* by another person in a way that is likely to have the effect of *depreciating* the value of the goodwill attached to the trade-mark. Therefore, you could be found liable under this section even if all of the information in the ad is true. The definition of use in relation to this section of the TMA makes it more risky to use a competitor's service mark in advertisements than a mark registered for goods because the TMA deems a mark to be used in association with services if it is used in the advertising of such services. BCE therefore took a risk by comparing its high-speed network to that of Rogers, since the high-speed network constitutes a "service". "Depreciation" is also more likely to be found to occur in a comparative context where the comparison emphasizes similarities rather than difference between brands.²

PASSING OFF

If you use a registered or unregistered trade-mark of a competitor whereby it appears as though the competitor has sponsored or endorsed your product or service, or is otherwise affiliated, the competitor may bring a claim for "passing off" under the TMA or at common law. To demonstrate passing off, the competitor would have to establish (i) the existence of goodwill and reputation in some trade indicia; (ii) deception to the public due to a misrepresentation; and (iii) actual or potential damage to the plaintiff. Assuming that a competitor is able to prove that they have a well-known trade-mark, then one way in which you can help defend against the second point is to ensure that your own trade-marks are more prominent than your competitor's in any ad. In some instances, the use of a disclaimer indicating that your competitor is not affiliated with the advertisement is also appropriate.

COPYRIGHT

A competitor's trade-mark could be protected by copyright, and therefore reproducing it in a comparative claim may constitute copyright infringement. Not every trade-mark will be subject to copyright protection, such as word trade-marks. However, logos or mascots such as the Pillsbury doughboy could be if they have sufficient artistic material associated with them.

¹ Statement of Claim, *Rogers Communications Inc., and Rogers Wireless Partnership vs. BCE Inc. and Bell Mobility Inc.*, dated February 3, 2006, Federal Court of Canada.

² *Future Shop Ltd. v. A. & B. Sound Ltd.* (1994) 55 C.P.R. (3d) 182.

FALSE OR MISLEADING STATEMENTS

As a fundamental rule, advertisements should not contain inaccurate or deceptive claims that are either express or implied with respect to a product or service. If you are contemplating a comparative advertising campaign, you should also be aware of the following offences, whether or not you use your competitor's trade-mark.

Under s.7 (a) of the *Trade-marks Act*, it is an offence to make false or misleading advertisements that tend to discredit the business or service of a competitor when identifying a competitor by name, or in reference to a competitor's trade name or trade-mark. This is a broad provision that does not have a materiality requirement (i.e. likely to influence the purchasing decision of a consumer); does not require that the "general impression" created by the advertisement be taken into account; and requires only that the false or misleading statements *tend* to discredit the business or services of a competitor.

The *Competition Act* provides a criminal offence under s. 52(1) for knowingly or recklessly making a representation to the public that is false or misleading in a material respect. "Material" refers to the degree to which the purchaser is affected by the representation in deciding whether to purchase the product. Both the literal meaning and the general impression of the representation are considered. Similarly, under s. 74.01, it is a civil offence to make a representation to the public that is false or misleading in a material respect.

When making comparative advertisements you should also be aware of two possible tortious claims: the tort of Injurious Falsehood and the tort of Wrongful Interference with Economic Relations. The tort of Injurious Falsehood involves making false statements about a product with the intent to harm the competitor. Similarly, under the tort of Wrongful Interference with Economic Relations, it must be proven that the person who made the comparative claim committed an unlawful act with the intention of interfering with the competitor's economic relations. Both torts require the competitor to show they suffered economic loss (i.e. loss of contracts).

SUGGESTIONS:

To minimize the risks in running a comparative ad, you should consider the following:

- Refrain from using your competitor's trade-mark in the ad at all, but if you must mention it pay particular attention when you are advertising services as opposed to products;
- Make sure you have substantiation for any claims made in the ad prior to the ad being run;
- If using a competitor's trade-mark in comparative advertising, have the ad focus on the differences between the products/services rather than the similarities;
- Keep comparative ads fair and accurate; and
- Avoid being gratuitously disparaging about your competitor in any comparative ad.

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The foregoing provides only an overview. Readers are cautioned against making any decisions based on this material alone. Rather, a qualified lawyer should be consulted.

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