

India

Legal issues in advertising: major implications for IP rights

Heraclitus said that “a hidden connection is stronger than an obvious one”. In the world of advertising many hidden connections exist, which can be considered from two key angles:

- the legality of an advertisement or its claims – an issue that affects the advertiser and the agency, as well as consumers and society in general; and
- the benefits of advertising from the perspective of enhanced brand value – this can be measured not only in monetary terms, but also in terms of the licensing opportunities to which it may lead.

This chapter highlights some key issues that should be considered when advertising in India (whether an advertising campaign is conceptualised in India or first used elsewhere and then extended to India), taking into account the pitfalls and benefits of an advertising or pre-advertising audit to enhance brand equity.

Thus, when considering an advertisement and its potential benefits, the following issues should be considered.

Advertising guidelines

Most countries have advertising guidelines which address issues such as unfair business practices, false associations, unauthorised use of products, parody and surrogate advertising. In many countries, advertising guidelines are issued as specific trade practice guidelines. However, when assessing advertisements for their content and value, it is important not only to look at the guidelines that may be prescribed by the relevant authority (eg, for this chapter, the relevant Indian guidelines), but also to examine those in other countries where the advertisement could appear thanks to the effect of advertising using the Internet, mobile networks or satellite television. For example, the Australian Competition and Consumer Commission has recently been involved in a number of cases regarding misleading and deceptive conduct through advertising and has imposed hefty penalties for violations. In addition to

legal guidelines, best practice guidelines, such as those prescribed by the Internet Advertising Bureau in the United Kingdom and the Interactive Advertising Bureau in the United States, are also relevant.

In India, the Code of Advertising Practice of the Advertising Standards Council of India (ASCI) has no legal status; however, it is binding on all advertisements that are displayed in India through a notification in the *Official Gazette*. It applies to:

- advertisers;
- advertising agencies; and
- advertisements that are created abroad but used in India.

Any complaints against an advertisement should be addressed to the ASCI.

The types of advertisement prohibited under the ASCI guidelines include advertisements which:

- incite people to commit a crime or promote disorder and violence or intolerance;
- deride any race, caste, creed or nationality;
- adversely affect friendly relations with a foreign state;
- directly or indirectly promote restricted or prohibited goods; or
- use particular prohibited words.

For example, use of the word ‘free’ to describe a scheme or a product must comply with the code and the law. In India, the use of the word ‘free’ in the offer “Buy one, get one free” is governed by the ASCI code and the Consumer Protection Act 1986.

No advertisement can be framed so as to abuse the trust of consumers or to exploit their lack of experience or knowledge. The code specifies that no advertisement may contain any claim so exaggerated as to lead to grave or widespread disappointment. Therefore, a product cannot be described as ‘free’ where there is any direct cost to the consumer (eg, freight, postage). Such costs must be specified. Similarly, where a product is free on

the purchase of another product, the price of that product must not include hidden costs.

Gambling advertisements

Advertisements for gambling are prohibited in India. A strict interpretation of the applicable laws (ie, the Contract Act 1872, the Lotteries (Regulation) Act 1998, the Public Gaming Act 1867, the Penal Code 1860 and the Monopolies and Restrictive Trade Practices Act 1969), read alongside the ASCI code, suggests that use of the words 'gaming' and 'casinos' should be avoided.

Even the incorporation of a visual representation of a gaming room or table could be construed as indirect advertisement. This would be covered by Clauses 6(d) and (e) of the code, which prohibit the use of typical presentations and situations that are tantamount to gaming.

Protection of relevant IP rights

While the advertising guidelines raise compliance issues, advertisements must also be looked at from the perspective of value creation and brand equity. It is first important to ensure that the content and confidential information used to create the advertisement or involved in the creation process are duly protected. Such confidential information may be protected through a variety of tools, including:

- non-disclosure agreements;
- due diligence;
- indemnity clauses;
- appropriate filings under relevant IP laws, including copyright and trademark filings; and
- general awareness of the confidential nature of any such project.

In addition to confidentiality, it is critical when creating an advertisement that the elements relating to protection and intended commercial exploitation be identified and separated from those which are merely functional or descriptive. The former need IP protection to avoid third-party misuse and enable exclusivity in their use (whether actual or intended).

This process not only protects, but also documents the intellectual property. Documentation of advertisements is extremely beneficial as it can be used in India and abroad as evidence to establish the brand's:

- transborder reputation;
- goodwill; and
- well-known status.

Some examples of such documentation are:

- the protection of the Yahoo! yodel as a sound mark;

- the colour combination of red and white for Colgate;
- the colour yellow for Pedigree; and
- Disney characters such as Mickey Mouse and Donald Duck.

Several elements of an advertisement may be protected under trademark law, whereas the advertisement in its totality may be protected under copyright law. Further, under copyright law originality is important, rather than distinctiveness as prescribed under trademark law. Therefore, it is possible that all aspects of an advertisement may be protected by copyright, while some aspects may be protected under trademark law.

Non-disclosure agreements

It is imperative that non-disclosure agreements be signed between parties to ensure that confidential information revealed to the advertising agency is protected.

Such non-disclosure agreements should include:

- restrictions on making private or public announcements regarding the project – such restrictions must fall within the ambit of reasonableness and apply only to information which is not otherwise in the public domain. A restriction which acts as a restraint on trade will be unreasonable and void. The legal due diligence of such an agreement is necessary to ensure its enforceability;
- a definition of access to confidential information in clear terms;
- clauses to ensure that the intellectual property in the confidential information is retained by the company. At times this may require an assignment of rights to be expressly executed and documented between the advertising agency or the creative elements involved and the corporate advertiser; and
- indemnities to ensure that the proprietor of the confidential information is duly compensated in case of breach. A typical example of a breach is when the information is poorly guarded and a competitor can pre-empt the advertisement, either by a prior release or by a lack of confidentiality regarding a new product launch.

Further, the advertisement should be subject to IP due diligence to ensure that trade secrets or confidential information is not revealed, and that newly created protectable matter such as slogans, trade dress and colour schemes is protected under applicable laws.

This ensures that existing, newly created and potential IP assets are protected.

Prevention of trademark dilution

The dilution of trademarks can occur inadvertently through advertising. An advertisement which uses trademarks to advertise products should make certain that it does not dilute, reduce or blur the mark in any way. Such dilution may occur through:

- tarnishment;
- degradation;
- parasitism; or
- freeloading.

Any unauthorised use by a competitor in which it seeks to ride on the coat tails of the mark and benefit from the mark's goodwill and reputation results in the dilution of the mark. The unauthorised use of trademarks such as OLYMPICS and SUPERBOWL has been highly contested by the mark owners in order to prevent freeloading and dilution.

Comparative advertising

International perspective

The defence of comparative advertising is often used to counter the allegation of dilution. However, any form of comparative advertising must be backed up by concrete, verifiable facts. For example, in *L'Oreal v Bellure* (C-487/07) and the *Arsenal Case* (C-206/01) the European Court of Justice stated that:

- *prima facie*, surrogate advertising by issuing comparison lists for the purposes of advertising constituted infringement; and
- comparative advertising can be used as a defence, but must be within the prescribed norms.

National perspective

In India, the documents applicable to comparative advertising are:

- the Trademarks Act 1999;
- the Consumer Protection Act 1986; and
- the applicable ASCI guidelines.

In *Reckitt Benckiser v Hindustan Lever* (2008 (38) PTC 139) the court noted that Sections 29(8) and 30(1) of the Trademarks Act 1999 address the issue of comparative advertising and product disparagement with respect to trademarks. A trader is entitled to boast about its product for the purpose of its promotion only, however untrue the boast may be, and for that purpose can even compare the advantages of its goods over the goods of others. However, it cannot mention the competitors' goods in a disparaging manner. Similarly, in *Hindustan Lever Limited v Colgate Palmolive (I) Limited* (AIR 1998 SC 526) and *Pepsi Co Inc v Hindustan Coca Cola Ltd* (2003 (27)

PTC 305 (Del)(DB)), Colgate and Hindustan Coca Cola Ltd were both held liable for disparaging their competitors' products. In both advertisements the competitor's product name could not be heard but could clearly be made out from lip movement. Such a method of circumventing the law was held to fall clearly within the ambit of disparagement. The courts further stated that any claims made in comparative advertisements must be backed by verifiable statistical data.

The Consumer Protection Act 1986 allows a consumer association, the central government or a state government to take up a case of unfair trade practice before a consumer forum. Consumers can also bring such an action before the ASCI. Therefore, advertisers should ensure that an advertisement does not dilute its brand value and that they have cogent facts to back up their claims.

The Emblems and Names (Prevention Of Improper Use) Act 1950 prohibits the use of certain names, emblems and pictorial representations in advertising. These include:

- the Indian national flag;
- the name, emblem or official seal of the government of India or any state, or any other insignia or coat of arms used by any such government or by a department of any such government; and
- pictorial representations of Mahatma Gandhi, Pandit Jawaharlal Nehru or the prime minister.

The use of any such names or emblems is strictly prohibited and a violation is punishable by a fine of up to Rs500.

Keyword advertising

Advertising today is not limited to print and television; the importance of protecting a brand and other intellectual property over the Internet is becoming essential to prevent damage to goodwill and reputation. A few such measures include the following.

Metatags

The use of keyword advertising through sponsored links by the use of metatags constitutes unauthorised use in commerce. Such metatags may be placed in:

- browsers;
- proxies;
- search engines; and
- content management systems.

Such search terms should also be protected under trademark and copyright laws to ensure that no surrogate or unauthorised advertising takes place.

'Hate' sites

A quickly evolving phenomenon on the Internet is the 'hate' or 'gripe' site. A hate site invariably uses its victim's trademark or a slight variation in its domain name. Its objective is solely to damage the reputation and goodwill of the victim. In such cases, an action for trademark dilution and deceptive trade practice, as well as damage to reputation, may be brought against the site if the trademark is commercially targeted.

It is thus necessary for a brand to ensure that it is protected in all possible media, particularly online if it targets global consumers.

Surrogate advertising

Several products and services cannot be advertised in India (eg, tobacco, alcohol). An action for surrogate advertising can be taken against an advertisement if there is misrepresentation that is likely to deceive or confuse the public and this misrepresentation has damaged or will damage the goodwill of the claimant.

An advertisement must ensure that it does not fall within the ambit of surrogate advertising, whether knowingly or unknowingly.

Personality rights and parody

A celebrity or a well-known figure has rights to his or her personality and persona. Such rights may be infringed by advertisements. Two types of legal action can be taken against advertisers.

Defamation

If the well-known individual is being parodied, an action for defamation may be instigated. An advertisement

which depicts an event or occurrence that is in the public domain shall not qualify as an 'untrue statement'. Parody in commercial use is not a valid legal defence in India.

Fraud and misrepresentation

Unauthorised use of a celebrity's picture, caricature or animated character to endorse a product may be prosecuted for the tort of fraud and misrepresentation, as well as injury to the celebrity's goodwill.

Such advertisements help to create brand value as they communicate to consumers universally. For example, HSBC's 'Red Border' campaign has been successful in establishing the bank's transborder reputation and enhancing its goodwill by avoiding the regional language trap. Its message that it caters to all, without boundaries, is conveyed without the need for words. It is powerful, evocative and makes an impact.

Conclusion

In light of the concerns discussed above, it is important that:

- advertisements do not violate any applicable laws;
- the advertiser carries out due diligence to check what can be protected and to protect what is "intended for commercial exploitation"; and
- the advertisement enhances the brand value.

Advertising as a business strategy is a powerful tool for enhancing, maintaining and developing brand equity. Therefore, it is imperative for companies to protect the content of an advertisement and to ensure that it is in line with the applicable laws.



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