

Navigating a complex advertising environment

Practitioners from China, Denmark, Russia, Sweden and the United States discuss the trademark issues involved in advertising – both online and in the physical world

In today's increasingly competitive marketplace, clever advertising helps brands to stand out from the crowd. However, there is often an inevitable tension between the copy that marketers crave and what is legally permissible. The restrictions in different jurisdictions complicate the picture, creating challenges for marketers seeking a consistent brand message and, crucially, for trademark counsel striving to ensure that advertising does not fall foul of different rules and regulations.

With this in mind, *World Trademark Review* assembled a panel of industry experts from around the world – Ai-Leen Lim from AWA Asia in China; Mette Bender and Anette Rasmussen from Awapatent in Denmark; Ilya Goryachev of Gorodissky & Partners in Russia; Kristian Martinsson of Awapatent in Sweden; and Cynthia Walden from Fish & Richardson in the United States – to get the inside track on the advertising law landscape in their respective jurisdictions and explore how trademark counsel can maximise the effectiveness of brand messaging while avoiding costly and commercially damaging missteps.

Which bodies are authorised to regulate advertising in your jurisdiction?

Cynthia Walden (CW): In the United States, a number of agencies and authorities promulgate guidelines and regulations relating to advertising. The Federal Trade Commission (FTC) has primary authority to protect consumers from unfair or deceptive advertising and marketing practices which raise health and safety concerns, as well as those that cause economic injury. In addition to having broad authority to deal with unfair and deceptive advertising, the FTC issues and enforces specific guidelines and regulations relating to advertising and marketing of alcohol, tobacco, advertising to children, endorsements, environmental marketing, health claims, 'Made in the USA'

claims and online advertising and marketing. It also has authority to bring administrative lawsuits to stop unfair and deceptive advertising, bring enforcement actions in federal district court to stop fraudulent advertising practices and coordinate actions with federal and international law enforcement agencies sharing authority over health and safety products and services.

Meanwhile, the US Food and Drug Administration (FDA) has the authority to regulate labelling and advertising for a number of products, including food, drugs, tobacco, medical devices and cosmetics. The National Advertising Division of the Better Business Bureau and state consumer protection agencies also play a role in helping to promote and regulate truthfulness in advertising.

Ai-Leen Lim (ALL): In China, the State Administration for Industry and Commerce (SAIC) administers and supervises advertising activities in China nationwide, while the relevant departments of the State Council are responsible for work relating to the administration of ads within their respective scope of duties. The SAIC is responsible for formulating advertising industry development plans, policies and measures, and organising their implementation. It also investigates and deals with advertising violations. Local AICs are then responsible for guiding advertising developments and the advertising review and approval institutions, and advertising associations. It formulates specific measures for the supervision and administration of advertising, takes action against infringing ads, monitors all kinds of media ad, handles complaints and carries out periodic inspections of advertising operators and publishers within their respective scope of duties.

Ads for special products and services (eg, medical treatments, pharmaceuticals, medical devices, agricultural pesticides, veterinary drugs and health food) must be

examined and approved by the relevant administrative departments (eg, the China Food and Drug Administration or drug regulatory departments at provincial, autonomous regional and municipal levels) before publication.

Kristian Martinsson (KM): In Sweden, the specialised Market Court deals with advertising. It handles violations of the Market Practice Act and related legislation, and its judgments cannot be appealed. The available penalties are a prohibition and suspended fine – typically Skr1 – and compensation. Temporary injunctions are also available. The court's case law is of great importance for understanding the Market Practice Act. The Market Court is due to be reorganised in 2016 and will form part of the newly established Patent and Market Court.

Further, Sweden has a Consumer Ombudsman, which has the power to issue injunctions and initiate cases before the Market Court. Current fields of priority for the ombudsman are tobacco, alcohol, consumer credits and misleading or undue contractual terms in consumer agreements. In addition, a number of public bodies are involved in enforcing product-specific advertising subject to special regulation, such as the National Food Agency for foodstuffs and the Medical Product Agency for pharmaceuticals.

Anette Rasmussen (AR): There are a few different options when it comes to regulating advertising in Denmark. First and foremost, we have the Consumer Ombudsman – an independent public authority which supervises compliance with Danish marketing law and is usually the first stop for complaints against advertising. The ombudsman has real authority when it comes to regulating advertising. Not only can she decide on complaints brought by citizens and issue fines, she can also act on its own volition to handle infringements



in court. The most common violations are punishable by a fine, but the ombudsman is also authorised to bring civil and criminal actions on behalf of complainants, just as she can request that the police initiate investigations and prosecutions against a trader on the Danish market.

For complaints on hidden marketing on television and radio, there is the Radio and Television Board. Finally, cases can also be brought before the Danish courts, although this is by far the most expensive option.

Ilya Goryachev (IG): The advertising regulator in Russia is the Federal Antitrust Service (FAS), which also acts as the competition regulator. The FAS has the power to monitor compliance with advertising law, initiate investigations based on complaints by individuals, businesses or state authorities (as well as on its own initiative), impose fines and other administrative measures where a breach is established, file complaints with court to seek a permanent injunction against an ad or a corrective ad, and issue recommendations containing clarifications of advertising law.

Additionally, local authorities are competent to approve layout plans for outdoor advertising; while the Federal Supervision Service for Telecommunications, Information Technology and Mass Media regulates age restrictions for media products; the restrictions are mandatory for compliance in advertising.

Have there been moves to introduce plain packaging for tobacco products and are other controls in place in relation to the advertisement of particular types of goods?

Mette Bender (MB): This is currently a hot topic in Denmark. Recently it was even proposed in Parliament that matters be taken a step further and tobacco products be removed from view altogether, regardless of whether they use plain packaging. The idea is to stigmatise the purchase of tobacco – results from neighbouring countries show that this is an effective means of reducing the percentage of smokers in the population.

This would not be the first time that Denmark has prohibited certain types

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of advertising for products which can be detrimental to health. Regulations already prohibit commercials for both tobacco products and medicines, and prohibit making health claims in advertising. However, the rules on alcohol are more lenient; regulations prohibit marketing aimed at minors, but that is about all.

Along the same lines, Denmark also introduced regulations to impose higher taxes on products containing fat and sugar in an attempt to dissuade consumers from buying them. However, this move proved spectacularly unpopular and has since been rolled back.

IG: Discussions aimed at introducing plain packaging for tobacco products are ongoing in Russia. For instance, in November 2015 it was reported that a group of deputies of the Russian State *Duma* (the lower house of the Russian Parliament) was drafting the relevant bill. Whether the initiative will mature into law remains to be seen. Meanwhile, in 2013 Russia adopted the so-called 'Anti-tobacco Law', which is aimed at reducing consumption of tobacco products. Among other things,

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the law also amended the advertising regulations for tobacco products, imposing various restrictions on the promotion and advertising of tobacco products.

Every now and then, legislative initiatives that restrict or ban the advertisement of specific products are published. For instance, in February 2016 it was reported that the Information Policy Committee of the Russian State *Duma* had dismissed a bill that would seriously restrict the advertisement of fast-food products. Initiatives for restricting the advertisement of energy drinks are also proposed from time to time on a local level. Other types of goods (eg, alcohol, pharmaceuticals, biological food additives and baby food products) are already subject to special advertising regulations.

CW: The FDA has issued guidance documents on the proposed plain packaging regulations for tobacco products in the United States and there has been heated discussion of this issue – although there are no binding regulations at present. In 2015 a number of tobacco companies filed suit against the FDA challenging its authority

to mandate restrictions on tobacco product packaging, claiming that restrictions would violate First Amendment protections of commercial free speech. No decision has yet been rendered on this issue.

Currently, regulations relating to the advertisement and packaging of cigarettes, including the Cigarette Act, prohibit any advertisement of cigarettes on radio and television; while the Family Smoking Prevention and Tobacco Control Act requires manufacturers, packagers and importers of cigarettes to place one of four statutorily prescribed health-related warnings on cigarette packages and in ads on a rotating basis. Specific FTC and FDA regulations also relate to the advertisement of other products, including alcohol, drugs, biologics, medical devices and food products.

KM: The Swedish government commissioned an investigation to explore how to further restrict the advertisement of tobacco products in Sweden, including through plain packaging, a ban on disclosing tobacco products and further restrictions on smoking in public places. In addition, and to implement EU Directive 2014/40, amendments to the Tobacco Act will take effect on May 20 2016 at the latest. These will impose more restrictive measures on the marking of tobacco packaging and ban tobacco products with characteristic flavours, such as menthol. In addition, enforcement powers have been transferred from the Consumer Ombudsman to the Public Health Agency of Sweden.

It is thus clear that there is considerable political support to further restrict the advertisement of tobacco products. The government vision is that Sweden will be smoke free by 2025. Other advertising restrictions are also in place for products such as alcohol, pharmaceuticals, foodstuffs and consumer loans.

ALL: By contrast, there appear to be no moves to introduce plain packaging legislation for tobacco products in China right now. Product packaging and trademark use for tobacco products are governed by the Provisions on Marks on Cigarette Packaging within the Territory of the People's Republic of China (implemented on January 1 2009)

and the State Tobacco Monopoly Bureau Office's Notice concerning Carrying out the Reviewing Work on Warnings Signs on Cigarette Packaging (implemented on September 27 2011). These regulate the packaging and marking of both cartons and cases of cigarettes produced in China for non-export and cigarettes imported from overseas.

Specific regulations also govern ads for medical treatment, pharmaceuticals, medical devices, health foods, agricultural pesticides, veterinary drugs, feed and feed additives, alcoholic drinks, education, training, cosmetics, and products or services with investment return expectations (eg, investments, real estate, crop seeds, forest tree seeds, grass seeds, breeding livestock and poultry, aquacultural seedlings and plant breeding).

From a legal perspective, what are the most common mistakes made in advertising campaigns in your jurisdictions?

ALL: Inadvertently falling foul of false advertising-related laws is probably the most common mistake. An ad will be considered to be false in any of the following circumstances:

- The product or service does not exist.
- Information on a product (eg, relating to performance, function, place of origin, intended purpose, quality, specification, ingredients, price, producer, term of validity, sales status or awarded honours) or on a service (eg, relating to its content, provider, form, quality, price, sales status or awarded honours), or the information relating to the promise of a product or service, is inconsistent with the facts and has a substantial influence on consumers' purchasing activities.
- Scientific research results, statistical data, investigation results, citations or

any other information that is used as material proof (or the basis of the claims) has been fabricated or falsified, or cannot be verified.

- The results of using the product or accepting the service is fabricated.
- False or misleading content is otherwise used to deceive or mislead consumers.

CW: In the United States, the most common mistakes revolve around claims that are false, misleading or made without proper authorisation or substantiation. False advertising enforcement actions are quick to follow when ads include statements that are literally false about the nature or qualities of the product or services being advertised (eg, claiming that something is fat free when it is not or that it is from a specific geographic area when it is not), but also when claims are implicitly false (ie, a particular claim may be literally true, but when taken in the context of the ad as a whole – including other images or text – it may still create a misleading impression about the nature of performance of a product or service).

Another common mistake is failing to obtain authorisation for the use of third-party trademarks or copyright-protected materials. With respect to images, this would include not only ensuring that the right to use a photograph has been secured, but also that appropriate permissions have been secured from any featured individuals to avoid any right of publicity claims. All claims must be substantiated with objective evidence and appropriate disclaimers – this is particularly true for comparative claims. Having a set process for the legal review of all ads before they are published is the best way to avoid these mistakes.

IG: Common mistakes made in Russia include:

- incorrect comparisons, which involve



A common mistake is failing to obtain authorisation for the use of third-party trademarks or copyright-protected materials



phrases such as ‘No 1’, ‘better than’, ‘top’ or ‘the best’ without conclusive confirmation of such status;

- promotional text messages sent without the consumer’s consent;
- lack of substantial information, in particular when advertising financial services (eg, bank loans or bank accounts) or describing available discounts or terms of sale;
- use of foreign languages in advertising without Russian translations – the only terms that need not be translated are trademarks and firm names;
- absence of the marking ‘advertisement’ in mass media or non-compliance with age restriction requirements; and
- breach of the requirements for specific types of product (eg, alcohol, tobacco, biological food additives, pharmaceuticals and baby food products).

AR: A few mistakes tend to be made over and over again in Denmark. Some businesses cannot resist the temptation to make derogatory comments about competitors. This is a classic error which has resulted in a large body of case law. Practitioners should keep in mind that advertising must be faithful and that this also extends to faithfulness towards competitors.

Another common mistake is to make unfounded claims about a product. Businesses still find it tempting to state that their product is the ‘best’ or ‘healthiest’ or ‘greenest’, even though they have no data to back up these claims. It is almost guaranteed that competitors will then lodge a complaint against them.

A lot of new businesses also fall foul of the rules on direct marketing. They think that sending advertising directly to any email address they have on file is a good way to reach a lot of potential customers. While this may be the case, it is also prohibited without the recipients’ express advance consent.

KM: A key issue to be aware of in Sweden is the restrictive rules on sweepstakes and contests. All lotteries require a government licence, and any contest or sweepstake where the winner is decided by chance is considered a lottery. In accordance with established case law, a licence is never granted for commercial lotteries, meaning

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that contests or sweepstakes where the winner is decided by chance are *de facto* prohibited. However, contests based on skill (eg, competitions to write the best slogan or to answer knowledge-based questions) are allowed, as long as the terms and conditions are clearly disclosed. In a mixed contest with elements of both skill and chance, it is important that the chance element comes before the skill element. It is normally possible to use chance to pick the participants for a skills-based competition. The winner of a skills-based competition must pay income tax on the value of the winnings, as well as on the organiser’s or advertiser’s payroll tax. The Lottery Act is enforced by criminal law and violations are subject to public prosecution. Additionally, compliance with the act is monitored by the Gambling Authority.

Turning to the specific issue of advertising copy, when is use of a third-party trademark in advertising considered to be infringing?

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KM: The owner of a trademark may prohibit a third party from using it (or a confusingly similar mark). However, the Supreme Court has applied the same test established by the European Court of Justice (ECJ) for keyword advertising on a product catalogue in a case where a scaffolding manufacturer was displaying its products together with a competitor’s scaffolding with the trademark. The court found that this was not detrimental to the trademark’s functions and consequently permitted it.

To sum up, downplayed use of third-party trademarks in ads is permitted, provided that it does not adversely affect the functions of the registered trademark. In addition, third-party trademarks can be used where this is necessary to inform the market of the purpose of the service or that a product is compatible with a third-party product. Factually correct comparative ads in which competitors or their products are named are also permitted, subject to strict requirements on reliability and information disclosure.

CW: Brand owners should be careful about using third-party trademarks, as this type of use frequently leads to false advertising and trademark infringement claims. The use of third-party trademarks may be permissible in certain circumstances and under certain conditions (eg, the use of a term descriptively or nominative fair use), but third-party trademarks should never be used in a way that implies endorsement or affiliation when there is none. The logo form of a third-party trademark should not be used without express permission. The use of ownership attribution statements in advertising is recommended to minimise the potential for consumer confusion about the endorsement or affiliation and to reduce the risk that the owner of a third-party mark will cry foul (assuming that the use is authorised or otherwise permitted under a fair use exception.)

ALL: When determining whether use of a third-party trademark in advertising amounts to infringement, the following may be taken into account:

- whether the disputed mark is valid;
- whether there has been use in the sense of ‘trademark use’; and
- the likelihood of confusion.

Descriptive fair use and nominative fair use are considered to be non-infringing. ‘Descriptive fair use’ generally refers to the use of non-distinctive terms to describe one’s own goods or services, even if those words happen to be part of a third-party trademark. Article 59 of the Trademark Law provides that a trademark owner has no right to prohibit others from using the generic name, graphics or models of a commodity; information directly indicating the quality, main raw materials, functions, purposes, weight, quantity or other features of a commodity; or the names of geographical locations as contained in its registered trademark. ‘Nominative fair use’ is good-faith use of a third-party trademark to objectively illustrate the source, use, service or object of one’s own goods or services and the inherent features of the third party’s goods or services. The term ‘nominative’ usually reflects that the mark is generally the most informative term for the specific goods or services being referenced.

AR: The overriding principle in Denmark is that traders must adhere to good marketing practices. The rules on use of third-party trademarks must be interpreted in light of this principle; but what is and what is not permitted can sometimes become blurred and the courts are not always clear in their judgments. While it is acceptable to state that your product is compatible with another trademarked product, the waters quickly become murky once you venture beyond such use.

Danish law explicitly prohibits use of a competitor’s trademark as an advertising keyword, subjective comparisons between your own product and that of a named competitor, or other use that tarnishes the reputation of another’s trademarked product. In a few cases traders have tried to push the wording of their own advertising campaigns to the point where the words used may not be strictly derogatory in themselves, but the implied meaning is. As most matters concerning use of third-party trademarks are based on more than just one set of rules, judgments are not always as clear as one might wish them to be.

IG: It terms of classic trademark protection, use of a third-party trademark in advertising without due consent with regard to the same or similar goods or services as those for which the trademark is registered is prohibited if it results in confusion. The Advertising Law also expressly bans the unauthorised use of trademarks in advertising. For instance, the courts recognised the use of images of Louis Vuitton-branded products in a television ad for local juice products as infringing the trademark rights of Louis Vuitton Malletier.

Incorrect comparisons through use of a third-party trademark are also prohibited. For instance, an incorrect comparison was found to have been drawn in an ad with the slogan “Kvass is not Cola, drink NIKOLA”. In another case a Russian subsidiary of Nestlé sued a Russian subsidiary of Unilever for using the slogan “Pure Flavour. No Magic” when advertising Knorr bouillon cubes. The plaintiff considered the slogan to infringe the MAGGI trademark, which Nestlé uses for its own bouillon cubes. However, the court established that the

slogan did not infringe the MAGGI mark because the consonance between the word ‘magic’ and the mark MAGGI did not amount to an incorrect comparison between the Knorr and Maggi products (Unilever’s position was also confirmed by expert opinions and social survey reports).

What constitutes misleading and/or deceptive advertising in your jurisdiction?

IG: Misleading or deceptive advertising is not defined as such; rather, the Advertising Law uses categories such as ‘unfair advertising’ and ‘inaccurate advertising’, within various forms of misleading or deceptive advertising may fall.

Systematic interpretation of Article 5 of the Advertising Law and Article 14.2 of the Competition Protection Law suggest that misleading or deceptive advertising covers information which might mislead consumers with regard to:

- the quality, consumer features, purpose, means and conditions of use or expected results of products;
- the amount of products available, their presence on the market, their availability under specific conditions or actual demand for them;
- the place of manufacture;
- guarantee obligations; or
- terms of purchase, in particular the price.

This list is not exhaustive.

MB: Many things can constitute misleading or deceptive advertising in Denmark. First, there are the obvious instances of making claims that are false, such as ‘20% lighter’ when this is not actually the case. There are also less obvious instances; one recent example is where an internet provider advertised internet speeds that not everyone could achieve due to hardware limitations. As this information was not prominently displayed, the ad was found to be misleading as it appeared to promise high-speed internet to everyone.

Another common form of misleading advertising is where goods are advertised as being sold at a reduced price compared to their normal price. This is particularly tricky given that the ‘normal’ price can



change if the goods are at a reduced price for a certain period. The reduced price then becomes the new normal price and traders risk being fined for misleading consumers if they do not change their advertising.

ALL: An ad that uses false or misleading information to deceive or mislead consumers shall be regarded as false advertising. An ad will be considered to be false in any of the following circumstances:

- The product or service does not exist.
- Information on a product (eg, relating to performance, function, place of origin, intended purpose, quality, specification, ingredients, price, producer, term of validity, sales status or awarded honours) or on a service (eg, relating to its content, provider, form, quality, price, sales status or awarded honours), or the information relating to the promise of a product or service, is inconsistent with the facts and has a substantial influence on consumers' purchasing activities.
- Scientific research results, statistical data, investigation results, citations or any other information that is used as material proof (or the basis of the claims) has been fabricated or falsified, or cannot be verified.
- The results of using the product or accepting the service is fabricated.
- False or misleading content is otherwise used to deceive or mislead consumers.

KM: The Market Practice Act is based on the EU Unfair Commercial Practices Directive (2005/29/EC) and built on ECJ case law. In order to determine whether a particular description, trademark or promotional description or statement is misleading or deceptive, it is necessary to consider the average consumer's presumed perception – such as a consumer being reasonably well informed, observant and circumspect. The average consumer is typically assumed to be a critical person, conscious and circumspect in his or her purchasing behaviour. He or she is assumed to make choices based on the quality and price of products.

In order for a misleading ad to be unlawful, it must also affect or risk affecting consumers' purchasing behaviour, impairing their ability to make an informed decision. The Market Court has established

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a body of case law in which the impact on consumers' purchasing behaviour is interpreted liberally. Accordingly, in most cases in which a commercial practice is found to be misleading or deceptive, consumers' purchasing behaviour is presumed to have been affected.

CW: Advertising that is false, misleading, deceptive or unfair is actionable in the United States. The Lanham Act sets out the following standard for false advertising: "any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which in commercial advertising or promotion, misrepresents the nature, characteristics, qualities or geographic origin of his or her or another person's goods, services or commercial activities, shall be liable in a civil action to any person who believes that he or she is or is likely to be damaged by such act."

To prevail in a false advertising claim

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under the Lanham Act, a plaintiff must prove that the defendant made a false or misleading statement of fact which is used in a commercial ad or promotion in interstate commerce, which deceives or is likely to deceive in a material way in interstate commerce, and which has caused or is likely to cause competitive or commercial injury to the plaintiff.

Are slogan marks registrable in your jurisdiction? What is the best way to ensure that such marks are protected?

KM: Yes, if they are distinctive. Advertising slogans are unregistrable where the relevant public perceives them as mere promotional formulae. They are deemed to be distinctive if the public perceives them as an indication of the commercial origin of the goods or services in question.

The ECJ applies the following criteria to determine whether a slogan has distinctive character:

- It has a number of meanings;
- It constitutes a play on words;
- It introduces elements of conceptual

intrigue or surprise, so that it may be perceived as imaginative, surprising or unexpected;

- It has some particular originality or resonance; and
- It triggers in the minds of the relevant public a cognitive process or requires an interpretative effort.

Banal slogans such as “Drink water, not sugar” – which merely conveys the idea that consumers should drink water rather than sugary drinks – are not distinctive. Such marks lack secondary or covert meaning, have no fanciful elements and are therefore unlikely to be perceived as a badge of origin. In order to ensure that a slogan is registrable, value statements and purely inspirational or motivational statements should be avoided.

AR: Slogans are similarly registrable as trademarks in Denmark, but they must satisfy the usual criteria for registration of a trademark – that is, they must have distinctive character and must not be descriptive. Slogans are often weak in this regard, but it is entirely possible to obtain protection through registration as long as these criteria are met.

It is also possible to obtain trademark protection through use alone. So if a trader has used a slogan consistently in its marketing, it may be able to obtain trademark rights on this basis. However, in order to enforce this right, it must be prepared to document this use and the slogan must still satisfy the usual criteria for registration.

A slogan can also acquire distinctiveness – and thereby become registrable – through use. Failing this, there is still a chance that a slogan can be protected under the Marketing Practices Act, although this affords a narrower scope of protection and usually requires a full court case to enforce.

IG: There is no prohibition on registering slogans as trademarks in Russia. However, a slogan should comply with general relative and absolute grounds for trademark registration as set out in Article 1483 of the Civil Code (eg, it must be distinctive and must not be deceptive as regards the goods or their origin). The slogan also must not contradict the public interest or

principles of humanity and morality (eg, it must not offend the feelings of a religious community).

The requirements for slogans are the same as those for other types of trademark. Slogans that lack distinctiveness may still be granted protection if the owner manages to prove acquired distinctiveness (secondary meaning) through intensive and longstanding use in Russia before the priority date. Normally, slogans are fanciful in their nature and there is no significant problem in arguing inherent distinctiveness. In terms of availability, it is strongly recommended that a full availability trademark search be carried out.

CW: The same standards which apply to the registrability of other trademarks apply to slogans in the United States. If a slogan operates as a source identifier and is not generic, descriptive or merely informational, it is registrable. While common law rights in trademarks (including slogans) are recognised and enforceable in the United States, the best way to ensure that slogans are protected is to file applications to register them with the US Patent and Trademark Office.

ALL: The registrability of a slogan in China depends entirely on whether it is distinctive in the trademark sense. Unoriginal phrases or sentences describing features of the designated goods or services will be deemed devoid of distinctive character and will not be registered. An original, creative and seldom-used tagline, or a slogan combined with other elements which render the composite mark distinctive as a whole, is registrable (eg, Nike Innovate CV has registered its slogan JUST DO IT as a trademark in China). If the applicant can provide sufficient evidence that a slogan has acquired distinctiveness through extensive

use in China, it will also be considered registrable.

When negotiating third-party endorsements, what are the contractual must-haves?

ALL: In China, contract clauses should be drafted to safeguard the interests of the party that you are representing, so that it does not inadvertently assume any legal liability or consequences. For instance, if an advertiser or advertising agent intends to use the names or images of others in an ad, it must obtain advance written consent from them. Advertising representatives should recommend or demonstrate products or services in ads based on facts and in accordance with the Advertising Law, relevant laws, administrative rules and regulations, and should not recommend or demonstrate products or services that they have not used.

Children under the age of 10 cannot act as advertising representatives. Where an administrative punishment is imposed due to a recommendation or demonstration made in a false ad, no natural person, legal person or other organisation can serve as an advertising representative for three years thereafter. If a false ad for a product or service concerning the life or health of consumers causes harm to consumers, then the advertising representative, agent and publisher will bear joint and several liability with the advertiser.

CW: Third-party endorsement contracts should contain all of the standard provisions and details that other licences would include in terms of the detail in identifying the parties, the specific rights granted, consideration and the duration and geographic scope of the agreement. Special attention should be



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given to negotiating the specific rights being granted to ensure that the contract covers all the rights to be used now and in the future (eg, use of name, likeness and image), clarify the scope of permitted use (eg, general marketing rights and unlimited use in all advertising in any medium) and confirm that the consideration for the endorsement is clearly defined.

Other key provisions which should be included in all endorsement contracts relate to the parties' obligations, the sequence of events on breach or default, and a morals clause which permits termination of the agreement under certain conditions (eg, if the endorser commits a crime or acts in a way that would reflect negatively on the company.) Since advertisers are subject to liability for false or unsubstantiated statements made through endorsements, if statements regarding the endorser's use of the product are contemplated, provisions confirming actual use of the product by the endorser may help to ensure that there are no issues on that front. When negotiating endorsements with celebrities or athletes, it can also be helpful to include provisions that identify an authorised agent for dealing with issues as they arise.

IG: The contractual must-haves in relation to a third-party endorsements include:

- confirmation of the right to use the image of the individual, as per Article 152.1 of the Civil Code;
- assignment of the exclusive right to performance and confirmation of the scope of use of the performance;
- detailed prescriptions that a third party (celebrity) should follow to support the brand (eg, specific wording that should be used when talking to journalists and any contractual provisions may be disclosed); and
- a termination clause should the celebrity's actions cause or be likely to cause damage to the brand, without fines or financial penalties for early termination.

KM: In Sweden, the name and image of celebrities and other identifiable persons are protected through a special legal act. No one can use the image or name of a

person who is publicly identifiable without consent. The act in question is enforced by criminal law and violations are subject to public prosecution. Further, anyone whose name or picture is used without consent is entitled to compensation. Compensation is typically higher than what a negotiated consideration might have been.

From case law, the key contractual issue is the consent of the individual. It is important that it be explicit that the consent is for use in advertising and that the media in which the endorsement will be used is specified. It follows that it is a viable defence for a celebrity to claim that he or she did not realise that his or her image endorsement would be used in an ad if this is not made clear. Other than this, there is nothing Swedish specific to consider when negotiating such contracts in Sweden.

AR: Experience shows that this can be something of a minefield for both traders and celebrities, so this is an issue that needs to be carefully thought out before any contracts are signed. Any contract for a third-party endorsement should state how the third party's name or trademark can be used for advertising, including the duration and the context and media in which it will be used.

Special care should also be taken to clearly define any remuneration to be paid, especially if this is based on the number of products sold through use of such third-party rights. If the right being used is a celebrity's name rather than his or her trademark, the contract should also take into account that people have a right not only to their name, but also to their image.

Considering advertising in the online environment, what specific trademark issues are raised under national law and what remedies are available?

CW: The same standards, regulations and remedies under federal law apply to advertising in any form, although some unique considerations relate to online advertising. The Children's Online Privacy Protection Act imposes certain restrictions and obligations on websites and providers of online services directed to children

under the age of 13 to protect their privacy and safety, and the collection and use of their personal information. Penalties for violations include \$16,000 for each separate email violation; the act can be enforced by state and certain federal agencies. The CAN-SPAM Act also sets rules for commercial emails (eg, a prohibition against false or misleading header information or subject lines, and an obligation to identify the email as an advertisement), and provides recipients with the right to stop receiving them. Penalties for violations include fines of \$16,000 for each separate email violation; violators also face potential criminal penalties and imprisonment.

The FTC also takes action against so-called 'native advertising' (if the advertisement is not clearly an ad because it resembles the design, style or functionality of the medium in which it appears). Other trademark issues unique to online advertising include issues relating to domain names (eg, cybersquatting or unauthorised use of another company's trademark in a domain name) and the use or misuse of trademarks as metatags and keywords.

MB: Advertising in the online environment is not clearly distinguished from ordinary advertising in Denmark and much the same rules apply.

Some issues arise only online, such as the use of third-party trademarks as AdWords or embedded links; but the principles regarding what can and cannot be done are much the same – in particular, the overriding principle of adhering to good marketing practices.

There is then the issue of using a third-party trademark as a domain name. In such cases the Domain Name Complaints Board is a cheaper and faster alternative to the Danish courts, although this route is also an option.

KM: The Swedish Trademark Act is technology neutral, meaning that it applies both online and offline.

The Supreme Court confirmed in November 2015 that Swedish courts have jurisdiction over commercial activities which have an effect in Sweden. In the case at hand, a Hong Kong-based company had operated a website in the country-code top-level domain '.se', but with no actual

physical establishment in Sweden.

In general, the factors to be considered in determining whether online trademark use has an effect in Sweden include whether the ad is in Swedish, gives prices in Swedish kroner, provides a commercial establishment, agent or address in Sweden and offers a choice of top-level domain or marketing directed at Sweden. Repeated shipping to Swedish customers is a factor if other elements are not present.

Online advertisers should thus take care when planning online trademark use. If an online activity might have an effect in Sweden, it is recommended to conduct clearance searches of trademarks and file for trademark protection.

IG: Developing online technologies present new challenges for trademark protection, ranging from the increasing number of domain name disputes to issues of trademark liability for online aggregators.

The Russian IP law prohibits the unauthorised use of trademarks on the Internet (including in domain names). The Civil Code also provides for the liability of information intermediaries.

The typical available remedies in terms of online trademark infringement include permanent injunctions, interim measures, damages and compensation. These are normally obtained through the courts by initiating a trademark infringement lawsuit. Another route is to file a complaint with the FAS, which is competent to apply administrative measures under the Advertising Law or the Competition Protection Law. Current hot issues include the liability of online aggregators for trademark infringement (in particular relating to parallel imports) committed by small outlets.

ALL: The online environment has created new ways to use trademarks, which have correspondingly resulted in new forms of trademark infringement and acts of unfair competition. One of these is use of third-party trademarks in metatags. Companies sometimes insert competitors' trademarks in their metatags, so that when internet users search using these as keywords, their own websites appear at the top of the

search results. When considering whether use of a third-party trademark in a metatag is 'use' in a trademark sense, it is necessary to consider the intended purpose, the distinctiveness of the trademark and whether such use could indicate the source of the goods or services.

Under Chinese judicial practice, use of a third-party trademark in hyperlinks is regarded as 'use' in a trademark sense; the Chinese courts usually resolve such disputes in accordance with the Anti-unfair Competition Law. The unauthorised use of a third-party trademark to advertise and sell counterfeit goods online also constitutes trademark infringement.

How is the use of competitors' trademarks as keywords treated by the courts in your jurisdiction?

IG: The Russian courts generally do not treat use of trademarks as keywords in search engine advertising tools as use in terms of trademark infringement. For instance, in *Madam Mu* (Case A40-164436/2012) a local dairy producer sued a competing company, as well as Google and Yandex (Russia's biggest search engine), for trademark infringement after its trademarks were used as keywords in Google and Yandex advertising tools. The case was dismissed, with the courts finding that such use did not constitute infringement as keywords are not part of an ad and cannot be qualified as a means of addressing consumers. This position was been followed in subsequent cases. However, in other cases the courts have issued permanent injunctions against the use of trademarks as keywords.

ALL: It is not yet settled law in China as to whether use of a competitor's trademark as a keyword in a link ad or a paid search ad constitutes infringement or unfair competition, and different judicial positions have been adopted on the issue in recent years. Some suggest that if the mark is used as a keyword without authorisation and the keyword appears in the advertising link titles, descriptions or websites of the search results, then this should amount to trademark infringement or unfair competition. However, if the

trademark is used without authorisation as a keyword but is not included in the advertising link title, description or website of the search results, there should be no trademark infringements or unfair competition.

KM: The ECJ has ruled that keyword registration can constitute trademark infringement under EU law if one or more of the essential functions of the registered trademark are adversely affected. In particular, if a reasonably well-informed and reasonably observant internet user could mistakenly believe that the advertised service or product is linked to the trademark owner's own products or services, then the trademark has been infringed. In Sweden, this type of case falls under the jurisdiction of the Market Court based on ECJ case law relating to Google AdWords. The court tends to focus on how the advertiser has formulated its ad or sponsored link. If it is clear from this that the commercial origin is different from the trademark owner, the court has been permissive.

In one recent case, the keyword advertising was prohibited. In this instance the sponsored link stated that the trademark owner's product was available at a 70% discount on the advertiser's webpage. However, the webpage offered only the advertiser's own products for sale.

MB: There is little case law on this matter in Denmark and those decisions which have been issued are not as clear as we might wish. This is largely due to the fact that the claims brought before the courts are often based on both trademark law and marketing law, making it easy for judges to render unclear decisions. That said, there seems to be a consensus that use of a competitor's trademark as a keyword is unacceptable, although the courts differ in their reasoning.

CW: Whether the use of a competitor's trademark as a keyword constitutes trademark infringement is still unresolved and hotly litigated in the United States, but many of these cases have settled and there is no consensus or definitive ruling on this issue. The courts which have

addressed this question have focused on two main questions:

- Does the use of a competitor's trademark as a keyword constitute 'use' for trademark purposes?
- Is there a likelihood of confusion?

Some courts have held that the use of a competitor's trademark as a keyword fails to meet the use requirement; while others have held that the use of a competitor's trademark constitutes use for trademark purposes, but that the focus should be on what appears in the actual ad at issue. One interesting outstanding question is whether and how initial interest confusion comes into play.

Are there particular nuances in the application of advertising law when marketing on social media?

MB: All marketing in Denmark must meet the general principles laid down in law, regardless of the medium. The Danish courts are therefore unlikely to treat cases of marketing on social media any differently from those involving ordinary marketing – although they will generally consider the number of children exposed to the marketing. The Consumer Ombudsman, together with the other Nordic consumer ombudsmen, has published a paper outlining its view on such matters.

Once again, the guiding principle is that of good marketing practices, although there are a few extra pitfalls to bear in mind when advertising on social media. First, advertising must appear as such and there must be a clear indication of the trader behind the advertising. Second, traders must keep in mind that banner commercials and the like must comply with the laws governing ordinary commercials (eg, they must specify the full minimum price that a consumer can be charged for the goods or services). In addition, the trader must respect the Data Protection Act.

KM: In Sweden, ads aimed at children under the age of 16 are prohibited without the documented consent of the child's legal guardian. This creates problems

with regard to social media, where it is difficult to verify the user's age and the line between ads and non-ads can be less distinct than is the case with traditional media.

The Market Court has addressed this question in relation to internet-based games. It was deemed illegal to send ads to the in-game inboxes of children under the age of 16, since no consent was available. In the same case it was also found that it was a violation of the Market Practice Act to send in-game messages to children with content such as 'buy', 'buy more', 'buy here' 'upgrade', 'upgrade now', 'upgrade here' and other direct appeals. The use of social media by minors is also an issue from a privacy perspective, since children cannot consent to the handling of personal data in all situations.

CW: While the same advertising law standards apply when marketing on social media, compliance can be more challenging given that most social media platforms have a limited word count or screen space considerations. The FTC has issued its .Com Disclosures and has updated its approach to social media advertising with revised Guides Concerning Use of Endorsements and Testimonials in Advertisings, which set out specific requirements, including the following:

- Contests or sweepstakes require clear and prominent disclosure, such as #sweepstakes (the use of #sweeps is not sufficient), #paidad, #ad or #sponsored;
- Character limitations do not alleviate disclosure obligations;
- Fake 'likes' and reviews will not be tolerated;
- Advertisers are allowed to incentivise reviews, but cannot require positive reviews; and
- Employee endorsement must be truthful and clearly disclosed.

Notably, social media advertising must comply with the Children's Online Privacy Protection Act regulations relating to the collection and use of personal information from children under the age of 13.

IG: Social media platforms in Russia

are becoming an increasingly popular advertising channel. The growing popularity of social media has given rise to various practical issues, such as:

- the qualification of information as 'advertising' in official company profiles or accounts on specific networks;
- issues relating to social media users reposting advertising materials on personal pages or accounts;
- the publication of videos aimed at promoting specific types of product on video-hosting websites such as YouTube and the qualification of such videos as advertising; and
- interactions between social media administrators, advertisers and rights holders in cases of advertising law infringements.

In 2015 the first case in the history of the FAS was initiated for breach of the alcohol advertising restrictions through social media as an advertising platform. The result of this case is awaited with interest.

ALL: The current Advertising Law does not define 'internet advertising'. However, the Draft Interim Measures for Supervision and Administration over Internet Advertising – currently undergoing consultation – define it as "the various commercial display, links, emails, paid search results and other advertisements published in such forms as words, pictures, audio and video through various types of the Internet websites, email boxes and the Internet media resources such as we media, forum, instant messaging and software". Given this, advertising on social media constitutes internet advertising and therefore there is no difference in the application of the Advertising Law when advertising on social media.

Are there any other issues you would like to raise?

ALL: The Internet has become an extremely important medium for reaching China's phenomenal consumer base. Therefore, the authorities have recognised the importance of regulating online

ads in China to protect consumers. The new Advertising Law, which came into force on September 1 2015, addresses key issues relating to internet advertisements, explicitly stipulating that the law shall apply to advertising activities conducted through the Internet. The SAIC also promulgated Interim Measures for the Supervision and Administration of Internet Advertising in July 2015 and invited public comment.

This notwithstanding, China continues to have to deal with the new legal issues and challenges that digitalisation brings, such as updating its laws to catch up with the developments in the online space, establishing a strict market access system and effective administrative monitoring, regulatory and enforcement system, and introducing rules on the implementation of the regime set out in the new Advertising Law.

IG: In terms of trends, ambush marketing has been on the rise since Russia held and was announced as host of numerous sporting events, in particular the 2014 Winter Olympic Games and the 2018 FIFA World Cup. In this regard, special legislation aimed at combating ambush marketing was passed expressly identifying various forms of ambush marketing.

Enforcement of this legislation has involved not only examples of infringements by small local entrepreneurs, but also more complex cases. For instance, a Russian subsidiary of General Motors was fined by the FAS for unfair competition when it used the phrase 'Olympic White' to denote one of its auto models.

KM: Even though the Market Practice Act is based on the EU Unfair Commercial Practices Directive and reflects ECJ case law, implementation in Sweden goes beyond the directive because the act also covers business-to-business relations (the EU directive is limited to business-to-consumer relations). The Market Practice Act includes additional protection for products which are known on the market (eg, trade dress, protection against deceptively similar products and passing off). It also includes protection against

misleading marketing.

In addition, competitors, as well as industry and consumer associations, can initiate legal proceedings against an advertiser based on the violation of consumer rules. In fact, most cases that the Market Court hears relating to advertising are brought by competitors of the defendants. Additionally, it is not uncommon for a defendant to file a countersuit concerning perceived flaws in the plaintiff's own advertising. Finally, punishments can be levelled not only at the company carrying out the advertising, but also other parties which are indirectly responsible, such as advertising agencies or company executives.

AR: Traders on the Danish market should be aware that several laws may govern their marketing activities, in addition to the national trademark regime. The Marketing Practices Act is often applied alongside the trademark law. The lines between them are somewhat blurred as they overlap in some areas and the courts do not always distinguish clearly between them when rendering decisions. For those wishing to err on the side of caution, there is the possibility of obtaining the Consumer Ombudsman's approval of a planned marketing campaign for a modest official fee.

CW: In the United States, if parties are looking for a speedy and cost-efficient alternative to litigating a false advertising matter in federal court in the United States, they may want to consider seeking adjudication of the dispute by the National Advertising Division (NAD) of the Better Business Bureau. Parties that opt to have their false advertising disputes decided by the NAD can enjoy a written decision within 60 business days; significant cost savings; confidentiality of data submitted to the NAD; and review by NAD attorneys who are experienced in review and adjudication of advertising claims and issues. In many cases, this alternative forum for resolving false advertising disputes will provide the necessary relief quickly and much more cost-effectively than pursuing relief in federal court. **WTR**