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## **The Use of Trademarks in Comparative Advertising in Germany**

**By**

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One of the strongest marketing tools, in particular, when well-known brands are involved is, no doubt, comparative advertising: To catch the attention of the consumer, nothing has greater impact than comparing the products or services of one competitor to those of another, thereby highlighting desirable features in one seller's goods or services at the expense of those of another business. Lately, following the implementation of EU Directive 97/55/EC ("the Comparative Advertising Directive"), there has been a surge in comparative advertising which has notably influenced the marketing strategies in those countries where comparative advertising had hitherto been permitted only within very narrow legal boundaries. Given the in some cases stark contrasts in the legal approaches to comparative advertisement, the objective was to achieve a level playing field in the European Union, while fully taking into account the need of the consumer for objective and transparent comparisons.

By definition, comparative advertisement requires that the competitor and/or his goods or services is either explicitly or implicitly identifiable for the consumer. There is a wide range of possibilities to achieve this end. This article focusses on the past and present German perspective of actual use of brands or trademarks of competitors for purposes of comparative advertisement as will then be illustrated by a series of cases litigated between McDonald's and Burger King before German courts.

### **The German Position prior to the Comparative Advertising Directive**



Prior to the implementation of the provisions of the Comparative Advertisement Directive in Sec. 2 of the German Act against Unfair Competition, Germany historically had one of the strictest comparative advertising standards in Europe, in contrast, e.g. to the UK courts which took and take a far more lenient position. In particular, with respect to advertising which contained a specific reference to a competitor, its trademark or its products, three types of advertising were previously distinguished in German practice:

- Advertising by personal reference, meaning any reference to the personal characteristics, relationships and circumstances of a competitor - for example, by pointing to previous convictions, lack of expert knowledge, earlier unfair competition litigation or foreign nationality.;
- positive comparative advertising in which the advertiser benefits from a competitor's reputation by making a positive reference to its goods or services. Expressions such as "as good as" are meant to suggest that the advertiser's goods or services are of identical or equivalent quality to those of the competitor.
- negative comparative advertising in which the advertiser criticizes competitors. This was generally considered unfair even if the allegations were true. The underlying reasoning was that the advertiser did not have the necessary objectivity. Further, it was argued that such advertising confuses consumers.

These types of advertising were generally considered unfair even if the underlying allegations were true



Exceptions to this basic ban on truthful comparative advertising were made only in limited circumstances, such as if the comparison was necessary to explain a technical improvement or other innovation of the product, if the comparison was made in defence of an unlawful attack by a competitor or if health and safety of consumers were involved. In practice, as a rule, comparative advertising was considered contrary to honest business practice, and it was difficult to determine safely what could be considered as unfair or fair comparative advertising.

### **Use of Trademarks of Competitors in Comparative Advertisement**

With the adoption of Directive 94/450/EEC, section 2 of the German Act against Unfair Competition, as amended by the Comparative Advertising Directive, the relationship between the rule and the exception for comparative advertising was completely reversed in German law. Provided the requirements as set forth in section 2 of the German Act against Unfair Competition are met, explicit or implicit reference to a competitor and/or his goods and services is permitted.

According to para. 2 of sec. 2 of the German Act against Unfair Competition, comparative advertising constitutes unfair competition only if:

1. it does not objectively compare one or more significant, relevant, verifiable and representative features or the price of those goods and services;
2. it does not compare goods or services meeting the same needs or intended for the same purpose;



3. it creates confusion in the market place between the advertiser and a competitor or between the advertiser's trademarks, trade names or distinguishing marks, goods or services and those of the competitor;
4. it takes unfair advantage of the reputation of a trademark, trade name or other distinguishing feature of a competitor or of the designation of origin of competing products;
5. it discredits or denigrates the trademark, trade name or other distinguishing marks, goods, services, or circumstances of a competitor;
6. it presents goods or services as imitations or replicas of goods or services bearing a protected trademark or trade name.

#### Practical legal application

In practice, when determining whether or not an advertisement is comparative in the aforementioned sense, the first stumbling block is frequently the identification of the competitor. Quite often, the defence of the advertiser is that the advertisement does not even implicitly refer to the competitor and/or the competitor's goods or services. Advertisers often attempt to convince the courts that no specific competitor or even group of competitors was referred to and no comparison was intended. Clearly, this prerequisite should not pose a problem in those cases where the trademark and/or company name of a competitor is used. Most comparative advertisement cases decided by the German courts so far have dealt either with the issue of whether or not significant, relevant verifiably and representative features of goods or services are objectively compared, or whether competitors or their goods and services are being discredited or denigrated in an unfair manner. In particular, in hu-



morous advertisements, there is a very thin line between such comparisons which will not be perceived as denigrating and such which will be seen as discrediting or disparaging the competitor in the eyes of the consumer. Obviously, this leaves much room for discretion if the case is heard before a court. It would come as no surprise that, for example, a UK judge would not even think about considering certain comparative advertisement as denigrating or discrediting, where a German judge would not hesitate to grant an ex-parte preliminary injunction, which in Germany can be obtained within a day or two.

### **The McDonald's vs. Burger King Cases**

The issues at stake can be particularly well illustrated by a string of proceedings which ensued in Germany between McDonald's and Burger King in the last year.

Shortly after the adoption of the EU Directive 97/55/EC, Burger King launched an advertisement campaign in which it presented a survey conducted amongst German consumers according to which 60 % of those questioned declared that the Burger King hamburger "Whopper" tasted better than the "Big Mac" hamburger of McDonald's, and 81 % declared that the "King Pommes" French fries were better than the French fries of McDonald's. McDonald's objected to this comparative advertisement on the basis that it was denigrating and, moreover, did not comply with the prerequisites set out in the the EU Directive 97/55/EC in that "taste" was no verifiable feature which could be objectively compared. Furthermore, McDonald's argued that the products in question were not intended for the same purpose.



Following the issue of an *ex-parte* preliminary injunction, the Cologne District Court heard the case and confirmed the preliminary injunction by judgment. It is noteworthy that, while Burger King openly referred to McDonald's, the issue of a trademark infringement was not in any way touched upon. The Court focussed exclusively on the comparative advertisement aspects. Being consumers, the court held that the "Big Mäc" could not be compared to the "Whopper" burger of Burger King, since the two hamburgers in question were intended for completely different tastes and were composed of different ingredients. As such, they could not be objectively compared. In that respect, the Court stated that some people prefer apples, while others like pears.

The Court furthermore took the position that "taste" - when used to describe one of the human senses of consumers - was only very indirectly concerned with food, since this taste could be very variable. The distinction did not only result from different individuals, but could vary with the mood of one person at a given moment. As such, the surveys with which Burger King was advertising only contained a fraction of the truth, and no "verifiable" features could be derived therefrom.

This did not prevent Burger King from running further comparative advertisements involving McDonald's. In December of 2000, Burger King ran a billboard campaign limited to the City of Munich. The billboards showed the bottom half of a man's face, the lips being in the stylized shape of the "Golden Arches" of McDonald's. The expression was distinctly that of a displeased, dissatisfied person due to the specific "M"-shape of the mouth which clearly alluded to the "Golden Arches" of McDonald's. Below this stylized face, Burger King positioned the slogan "Burger King, 'cause it tastes better" and furthermore asked the viewer: "Is it not time to break with old habits?". McDonald's managed to immediately obtain an *ex-parte* preliminary injunction, i.e.



without a hearing, on the grounds that the main brand of McDonald's, the "Golden Arches", as well as the products of McDonald's were discredited. As is standard practice in German preliminary injunction proceedings, the court did not provide a detailed reasoning for its injunction order. Hence, it remained open whether the injunction was granted primarily for trademark infringement or unfair competition. The billboard presentation included both elements in a rather disparaging manner: The dissatisfied expression was clearly supposed to signal to the beholder that the products of McDonald's were of inferior taste and/or quality as compared to those of Burger King, a perception which was confirmed by the accompanying text. It seems that this view was acknowledged by Burger King, since the preliminary injunction was accepted as a final decision with no necessity for hearing the case in substance.

Following this spat, Burger King again tried the patience of McDonald's and found itself being confronted with further legal action, as a consequence of what had obviously, by the time, evolved into a targeted campaign. At the beginning of August 2002, Burger King started a broad tv advertisement series to promote a new hamburger with a tv ad basically having the following content: A man wearing an oversized hat and a large overcoat is standing at the counter of Burger King in a queue waiting to be served. The camera moves closer and one can clearly see that the man is wearing the shoes of a clown. As the counter-girl at Burger King takes his order, the camera turns and one can clearly see his face which can be identified as that of "Ronald McDonald". The counter-girl of Burger King says to him as he leaves the store with what he bought: "Ronald ... until tomorrow!". The final frameshot of the tv ad shows the logo of Burger King with the slogan "Bigger. Better. Burger King".



Not surprisingly, McDonald's immediately wrote to Burger King requesting it to discontinue the campaign, which Burger King refused to do. Burger King argued that while comparative advertising was given, the figure appearing in the tv spot was not "Ronald McDonald", but rather another clownesque figure which would by no means be perceived by the viewers as "Ronald McDonald". In addition, even if the consumers were to identify the figure as "Ronald McDonald", this would not constitute denigrating comparative advertisement.

As was to be expected, McDonald's immediately instituted proceedings against Burger King. McDonald's claimed that the brand icon "Ronald McDonald" was clearly identifiable in the tv spot, and its use was without any doubt intentional, as the whole tv spot hinged on the appearance of "Ronald McDonald". The image of "Ronald McDonald" was, however, protected by numerous trademarks which were clearly infringed by the appearance of "Ronald McDonald".

The fact that the figure "Ronald McDonald" secretly bought the new hamburger at Burger King constituted unfair competition in that the trademark as well as the goods of McDonald's were unduly discredited and denigrated, and, furthermore, unfair advantage was taken of the reputation of "Ronald McDonald" and McDonald's. The intended message was clear for the consumer: If even "Ronald McDonald" clandestinely ate the hamburgers of Burger King rather than those of McDonald's, they must be clearly inferior in taste and quality.

This impression was moreover emphasized by the use of the slogan "Bigger. Better. Burger King".



On request of McDonald's, the Cologne District Court again granted an ex-parte preliminary injunction, i.e. without hearing Burger King. While no extensive reasoning was provided, the Court made it clear that it considered an act of unfair competition to be given by referring to the pertinent provisions. Again, Burger King decided not to argue the case on the merits and accepted the court order as a final decision.

Burger King was clearly not deterred by this episode from continuing with comparative advertisement, since in January 2003, it launched yet another batch of tv ads all making express or implicit reference to McDonald's. The various tv and radio spots broadcast by Burger King promoting its new hamburger all began with the same sequence: A potential guest comes to the drive-in counter of McDonald's where he is welcomed by the typical welcome introduction used by the employees of McDonald's - in some of the spots, the introduction "Welcome to McDonald's" was dubbed over into "Welcome to "beep"". The guest then asked the counter-girl whether a certain product of Burger King was available, to which invariably the counter-girl's response was that this product was not for sale at McDonald's. One tv and radio spot of this series was considered by McDonald's to be particularly unfair and denigrating: The spot began with the typical scene of a lady sitting in her car at the drive-in. In the radio spot, a man's voice says via the loud-speaker "Welcome at McDonald's. Your orders please.", to which the woman responds: "I cannot make up my mind whether I should take the "BBQ Burger" for 99 Cent or the "Hot Chili Burger" for 99 Cent". The lady then asks: "What do **you** like eating most here?" to which the man answers in a very irritated and impolite tone via the loud-speaker: "I don't eat here, I work here.". The off-text then continues with: "Exactly, the delicious BBQ or Hot Chili Burgers of Burger King".



Subsequent to the airing of this spot, McDonald's immediately instituted proceedings against Burger King on the grounds that it constituted denigrating comparative advertisement: In the perception of the beholder the impression was created that the products of McDonald's were of such inferior quality or taste that even the employees of McDonald's declined to consume them and were thus unable to give a recommendation to the guests. This impression was reinforced by the slogan used in the final frameshot: "Bigger. Better. Burger King".

Again, the Cologne District Court granted an ex-parte preliminary injunction against both the radio and tv spots, it being noted that in the tv spot, the reference to McDonald's was dubbed over with a "beep". This time, Burger King decided to go for a hearing in relation to the tv spot and argued the case on the merits, while the court order regarding the radio spot was not contested. Burger King argued, in essence, that, in view of the fact that McDonald's was not explicitly mentioned, the consumers would not identify McDonald's as the competitor. Furthermore, the response of the counter-person in the tv spot "I don't eat here, I work here" was merely a neutral statement with no denigrating character at all. The response was allegedly appropriate, given the "personal" question posed by the guest. As was to be expected, the Cologne District Court confirmed its initial position by judgement. It stated that even though McDonald's was not explicitly referred to, given its overwhelming market presence, the majority of the consumers would only think of McDonald's. In particular, no other competitor sold hamburgers in Germany at drive-in stands. Furthermore, due to the extensive comparative advertisement of Burger King so far, the consumers were aware that Burger King was constantly comparing its products to those of McDonald's.



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As to the denigrating character of the statement of the employee, the Cologne District Court left no doubt that in the particular context, this could only be construed as expressing that the products of McDonald's were of such inferior quality and taste that even the own employees refused to eat them. This constituted a denigrating and unfair comparative advertisement.

Subsequently, Burger King filed appeal to this decision with the Cologne Appeal Court who, however, confirmed the position of the District Court.

These cases show in an exemplary manner that while comparative advertisement is generally permitted, advertising executives should review their ideas very carefully. In contrast perhaps to some other European countries. German courts generally have a fairly clear idea of the boundaries of comparative advertisement which can probably be attributed to the fact that historically stricter standards were adhered to.

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