Chasing The Competition

By Jeffrey A. Babener

Every day we see it. On the TV screen and the billboards, MCI and Sprint are challenging America to save money by switching from AT&T. Coke and Pepsi challenge each other in taste tests and car manufacturers challenge the effectiveness of each other's products. So, the question is can "in your face advertising" be utilized by network marketing companies and their distributors in chasing after competitors? Can network marketing distributors use a competitors trademark in comparing the relative qualities of competitive www.mlmlegal.com goods or services without running afoul of trademark laws or unfair competition laws?

The short answer is yes, if fair play is involved. But a true understanding of this important issue require a longer explanation.

The use of a competitor's name or product in advertising one's own product is a relatively new concept in the world of advertising. Prior to the late 1960's, advertisers were reluctant to name their competitor or the competitor's product. Comparison ads were carried out by comparing one's own product with "Brand X." This reluctance on the part of advertisers was perhaps due to the fear of legal sanctions, but more likely advertisers thought comparative advertising was a bad business practice. It resulted in free publicity for the competitor, and could engender sympathy for the company attacked.

The fear of legal sanctions was, for the most part, unfounded as the legal rules allowing such advertising have been on the books for many years. In 1910, the great justice Oliver Wendell Holmes wrote an opinion upholding the right of a seller of mineral water to use a competitor's trademark to tell the public he was selling identical mineral water:

They have the right to tell the public what they are doing,...if they do not convey but, on the contrary, exclude, the notion that they are selling the plaintiff's goods, it is a strong proposition that when the article has a well known name, they have a right to explain by that name what they imitate.

Avis Rent A Car changed advertisers' view of comparative advertising due to the enormous success of its "We try harder" campaign against Hertz Corp. Since that campaign, there has been an explosion of comparative advertising in the United States and much litigation on the subject, through which the rules have been further defined.

Generally, a seller or imitator may use a competitor's trademark when advertising the seller's product so long as the competitor's trademark is used in a truthful way, such that its use is not likely to create confusion in the consumers' mind as to the source of the product being sold.

Over the years, many different legal theories have been used by competitors in an attempt to stop the use of their name or product in comparative advertisements. Actions have been brought for disparagement, trade libel, defamation, trademark infringement, unfair competition and misappropriation of a name. The successful cases have, for the most part, involved false advertising and unfair competition through the www.mlmlegal.com misrepresentation of one's product, causing consumer confusion.

For the most part, comparative advertising cases alleging trademark infringement and state and federal unfair competition turn on the issue of consumer confusion. Under federal law, trademark infringement occurs when a person uses in commerce a reproduction or imitation of a registered mark, where "such use is likely to cause confusion, or to cause mistake, or to deceive..." Federal unfair competition occurs where one person uses a false designation of origin which is likely to cause confusion as to "affiliation, connection, or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods..." Or the person misrepresents the "nature, qualities or characteristics of his or another person's goods in advertising.

It seems that the battle over comparative advertising has by and large been fought in the perfume and cosmetics markets. One major case pitted Calvin Klein and his scent Obsession against a deliberate copy sold by a copycat company in a highly similar bottle. The so-called knock-off also advertised its product by using Klein's Obsession trademark and a picture of an Obsession bottle on its in-store advertising.

An appellate court overturned an injunction issued by the lower court prohibiting defendant from using the Obsession trademark or the similar bottle. The court stated the rule that an imitator may use a competitor's trademark when advertising its product so long as it is used in a truthful way and does not create confusion in the consumers' mind as to source.

On the other hand, Yves Saint Laurent was able to convince a court that a copycat's use of his trademark in comparative advertising constituted trademark infringement. In this case, a knock-off artist was selling perfume in packages that prominently displayed the legend "If you like Opium, you'll love Omni." On a portion of the box which was not visible to the consumer until the box is opened, Defendant placed a disclaimer stating that Opium is Saint Laurent's registered trademark and it is not associated with defendant.

In one recent case, a court stated that these comparison advertising cases are best understood as involving a "non-trademark use of the mark - a use to which the infringement laws simply do not apply..." In this case the court reasoned that the mark is used to describe the thing, and without using the mark it is impossible to refer to a particular product for purposes of comparison. For example, it would be impossible for auto makers to compare their products with the competition if they were forced to refer to the competition as "a large automobile manufacturer based in Michigan" as opposed to Ford. So long as the competitor's mark is used to identify the competitor's product and is not an attempt to www.mlmlegal.com pass off one's own goods under the competitor's mark or to imply sponsorship or endorsement, there is no infringement.

A seller, however, must make sure that the content of the comparative ads is entirely truthful. A seller may be held liable for unfair competition under federal and state laws where the seller

misrepresents either the seller's, or the competitor's products. One major case involved U-Haul. The U-Haul case involved an advertising campaign in which Jartran falsely represented its prices and the quality of its rental trucks and trailers either alone or in comparison with plaintiff U-Haul. Jartran also disparaged U-Haul products. The court issued an injunction finding that defendants made false statements of fact about its own products and that the advertisements actually deceived or had the tendency to deceive consumers.

Therefore, claims of comparative superiority should be true and should be backed up by facts and/or testing where appropriate. The bottom line is that every seller has a right to truthfully use a competitor's mark in comparative advertising, but the right can be abused. Even if the seller uses a competitor's mark in comparative advertising in a way that does not cause a likelihood of confusion, there may be liability for false advertising or trade libel if the claims of comparison with the other goods are not one hundred percent true and correct.

The television networks and major advertising agencies have drawn guidelines for comparative advertising that are instructive. Attention to the high points of these guidelines should result in legitimate comparative advertising:

1. Be sure that the intent and connotation of the advertisement is to inform and never to discredit or unfairly attack competitors or competing products;
2. If a competitive product is named it should be one that is truly significant competition;
3. The competition should be fairly and properly identified, but not in a manner or tone of voice that degrades the competitor;
4. If the products and/or services are compared the similar properties of the service or product should be compared dimension to dimension, feature to feature;
5. The identification of competition should be for honest comparison and not to upgrade by association;
6. If there is testing to be done it should be www.mlmlegal.com done by an objective testing source, preferably an independent testing source; and
7. The competitor's trademark should not be used in a more prominent fashion than your own, as this could lead to confusion as to source or sponsorship.

CONCLUSION

So, if you are a network marketer and you have a better product than your competitor, you have a right to make the consumer aware of this fact. You can use the name of your competitor in making the comparison in the advertising, but before making those comparisons, make sure that they are truthful and claims of superiority are substantiated. Good luck!

Advertising

- Meta Tags - MLM Subliminal Marketing
- FTC and Advertising
- MLM In Cyberspace
- Chasing the Competition
- MLM Earnings - How Much?

- Who Controls Marketing Materials?
- It's Our Name - Live With It
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On any given day you can catch Jeffrey Babener, editor of www.mlmlegal.com, lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Shaklee, Tupperware, Prepaid Legal, Longaberger, Melaleuca, Discovery Toys, Usana, Amazon Herb, NuSkin, Cell Tech, Sunrider…. and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, Acceris, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies. He is author of multiple books, including, Network Marketing: What You Should Know, Network Marketer's Guide To Success, Tax Guide for MLM/Direct Sellers, Starting and Running the Successful MLM Company, The MLM Corporate Handbook and Window of Opportunity. He is author of countless articles on network marketing, many of which can be found at www.mlmlegal.com where he is the editor. You will see his articles and interviews in such publications as Money, Atlantic Monthly, Success, Entrepreneur, Business Startups, Home Office Computing, Inc., Money Makers Monthly, etc. He has been chairman of numerous industry conference series, including, Starting and Running the Successful MLM Company, The MLM Entrepreneur Series and The MLM Masters series. He has served as the close advisor to scores of MLM Companies and their distributors, comprising millions of distributors and billions of dollars in sales. Mr. Babener is a graduate of the University of Southern California Law School, where he served as editor of the USC Law Review. After an appointment to be an advisor law clerk to a U.S. Federal Judge, he went on to become a member of the California and Oregon State Bar, where he has also served as chairman of the Oregon State Bar Committee on Judicial Administration. He has exclusively practiced in the area of direct selling for over 20 years. A Regulatory Update for MLM,Direct Selling, Network Marketing, Direct Sales, Party Plan Independent Distributors and Companies.