
Abraham Diaz

So, are you not tarnishing my trademark?

Abraham Diaz, Olivares, investigates a Mexican infringement lawsuit that contained no direct use of the complainant's trademark, as gives his own opinions on the matter.

After three long litigating infringement actions with the Mexican Trademark Office and the Mexican Courts through all its stages, it has been confirmed that any advertisement aimed to lessen the goodwill of a competitor's trademark, product, service, or industrial activity, has to be deemed as an act of unfair competition, despite the fact that in the infringing advertisement, the competitor's trademark is neither shown nor mentioned.

Résumé

Abraham Diaz, Partner, Olivares

Abraham co-Chairs the IT Industry Group and has a wealth of knowledge across the Intellectual Property spectrum. Although he spends most of his time in IP litigation matters, he is frequently working with media and entertainment companies on copyright matters.

Abraham focuses his practice on copyright, trademarks and unfair competition, litigation, licensing and prosecution matters. He counsels clients on any IP related matters, and handles matters involving trademarks, trade dress, product configuration, unfair competition, advertisement related matters, false advertising, trade secrets, plant breeder's rights, vegetal varieties and Internet related Intellectual Property issues. His Internet experience includes handling domain disputes under the Uniform Domain Name Dispute Resolution Policy (UDRP) and the Local Dispute Resolution Policy (LDRP), as well as counseling clients concerning the development of websites and the protection of the content thereof.

Abraham counsels transnational and domestic companies in such industries as entertainment, apparel, media and publishing, technology and telecommunications, consumer products and services, pharmaceuticals and financial services.

Because of his broad background of litigation, copyright, regulatory, data privacy, and trademarks, Mr. Diaz is perfectly placed to advise clients in these industries over a range of subject matters and can look at legal needs in this sector in a 360 degree way.

He has authored various articles involving IP and Internet related matters and he has lectured on various topics in the Intellectual Property field, at national and international fora.

The decision was created in a case wherein three related companies, doing businesses in the telecommunications industry, began an advertising campaign aimed at tarnishing the telecommunication services rendered by the main player and competitor in the telecommunications sector in Mexico.

The infringing companies tried to play smart, with funny TV spots wherein they avoided mentioning or showing competitor's trademark or company name. However, in their TV spots they displayed various elements and characters that historically had featured in many of the advertising campaigns of their competitor. For instance, they were presenting a talking dog, well-versed on telecommunications, equal to the one that consistently had appeared as the mascot in many of the competitor's advertising campaigns. Likewise, they were presenting a chubby man making statements in connection with the long distance phone calls service, resembling the chubby man employed by the competitor in the promotion of the same service, and additionally, wearing clothing in the colors historically used by the competitor throughout the years.

Within the dialogs presented in the TV spots of the infringing advertising campaign, there were some other slight references to the name of the competitor, but there was no official mention of the name at any point during the advertisements.

Although in different chapters (they used the dog in some TV spots and the chubby man in other TV commercials), when presented in the TV spots of the infringers, all of the above, were helpful for consumers to guess who the referred competitor was. Once this was achieved, false, erroneous, and exaggerated statements were made in the TV spots, showing the aforementioned characters as dumb and ridiculing them. Sometimes, the characters were even portrayed as embarrassed because of the supposedly dishonest practice in which they were incurring. All the adverts had the clear goal of showing the competitor's telephone and Internet services as disadvantageous, for

being more expensive, inefficient, and even dishonest, while presenting the infringers' "triple play" services as a much better option and absolutely cost effective.

This led the affected IP owner to file infringement actions against the three competitors who were tarnishing its services, its trademark and its industrial activity.

In these complaints it was stated that the infringers were carrying out acts of unfair competition, consisting of the attempt of lessening the goodwill of the trademark, the service and the industrial activity of a competitor. All of which is sanctioned by section X of Article 213 of the Mexican Law of Industrial Property (LIP), which provides as follows:

"ARTICLE 213.- The following constitute administrative infringements:
…X. Attempt or succeed in tarnishing the products, services, the industrial or commercial activity or establishment of another. Not included in this provision is a comparison of products or services covered by the trademark, with the aim of informing the public, provided that said comparison is not tendentious, false or exaggerated in the terms of the Federal Consumers Protection Law;"

It has to be mentioned that when analyzed correctly, this section of the Mexican Law of Industrial Property contains two different hypotheses of acts of unfair competition. On the first part it is set forth that it will be deemed as an act of unfair competition if the opponent is tarnishing the products, services, the industrial or commercial activity, or the establishment of another. Meanwhile, on the second part it is set forth that it will also be deemed as an act of unfair competition to carry out comparative advertisement that includes tendentious, false or exaggerated information.

This clarification is important because many practitioners wrongfully consider that the above provision regulates only comparative advertisement, while the reality is that its scope is much wider, and can be invoked in order to deal with any act of a dishonest competitor, tending to tarnish the products, services, the industrial or commercial activity or the establishment of another, whether or not said attempt is materialized in comparative advertisement.

Based on the above legal provision, the complainant alleged that the infringers were attempting to tarnish its trademark, services and its industrial and commercial industrial activity. This infringement was found through the use of the most recognizable elements of plaintiff's advertising campaign, which were well known by Mexican consumers because of the level of diffusion of plaintiff's advertising campaign throughout many years. This recognizable campaign made it easy for infringers to set on the mind of the consumers, which was the company whose services were being depicted as inefficient, expensive and even dishonest, even when the trademark identifying these services was never mentioned.

In its defense, the infringers sustained that:

i) The Mexican Trademark Office was not competent to deal with this infringement action, precisely because no trademark belonging to complainant was ever mentioned in their advertising campaign. Hence, even if there were acts of unfair competition to be pursued, they were not of the kind regulated by the Law of Industrial Property.
ii) As a second defense, infringers alleged that there was no direct reference to plaintiff's trademark or company name and therefore plaintiff could not validly allege that the services presented as inefficient in defendant's TV spots were complainant's ones.
iii) As the third defense, defendants alleged that elements and characters to which the complainant referred to as recognizable in its many advertising campaigns, lacked protection per se, and were even generic, thus not existing any infringement to be pursued based on the provisions of the Mexican Law of Industrial Property.
iv) In its fourth argument, defendants alleged that even if the consumers could infer that the competitor mentioned in the TV spots was plaintiff, all of the statements made in connection with its services were true and verifiable.
v) The infringers also sustained that since in the final part of Section X, of Article 213 of the Mexican Law of Industrial Property, there is a reference to the Federal Law for Consumers Protection, it was clear that a prerequisite of any infringement action to be prosecuted with the Mexican Trademark Office, should be a ruling from the Federal Bureau for Consumer's Protection (PROFECO), beyond the shadow of any appeal. Thus declaring that indeed the advertising campaign carried out by defendants contained statements that should be deemed as tendentious, false or exaggerated.

Within the proceeding we were able to demonstrate that:

i) The Mexican Trademark Office was competent to resolve this matter, because even if the complainant's trademark was not expressly mentioned in the advertising carried out by defendants, infringers managed to make clear in the mind of the consumers, which trademark was being referred to, and there was a clear attempt to tarnish said trademark, the services distinguished by it, as well as the business activity of the holder of the trademark, all of which was expressly sanctioned by Section X of Article 213 of the Mexican LIP.

Likewise, we were able to demonstrate that the spirit of the above legal provision is only to set the parameters under which the advertising campaign carried out by any company will be deemed either as false, erroneous and exaggerated, or on the contrary, as true and verifiable. However, this in no way means that the only authority entitled to make a pronouncement as to the objectivity of the statements made in an advertising campaign was only PROFECO, being the case that if the advertising campaign accused of being false, erroneous or exaggerated involved any IP right, the Mexican Trademark Office is absolutely entitled to sanction it, without any prior pronouncement from PROFECO.

ii) Even if plaintiff's trademark and company name were never mentioned in the infringer's TV spots, through the use of all the recognizable elements that plaintiff had historically used in its advertising campaign, infringers were able to make clear in the mind of the consumers: a) which were the services depicted as expensive, inefficient and dishonest; b) which was the company rendering said services and c) which was the trademark distinguishing the said services.

For this effect, abundant evidence was submitted, consisting of samples of the advertising that complainant had displayed throughout the years depicting the talking dog, the chubby man and the institutional colors of complainant. All this led the Mexican Trademark Office to sustain that indeed said elements were closely related to complainant's

> *"Infringers were carrying out acts of unfair competition, consisting of the attempt of lessening the goodwill of the trademark."*

trademark, industrial, and commercial activity, and consequently, the use thereof was useful to let consumers know which company was the one referred to in the TV spots of defendants - even if complainant's trademark and company name was never mentioned.

Consequently, we were able to assert that we were in the presence of an act of unfair competition related to an industrial property right and therefore, the Mexican Trademark Office was indeed competent to deal with the alleged infringements.

iii) We were also able to demonstrate that in its infringement action, complainant was in no way claiming any sort of protection for the recognizable elements of its advertising campaign (the talking dog and the chubby man), but on the contrary, complainant was only explaining which were the means by which defendants were materializing its attempt to tarnish plaintiff's trademark, services and company name.

iv) Regarding defendants' arguments in the sense that the statements made in their advertising campaign were true, even when they were not favorable to client, we were able to demonstrate that indeed many of the statements made in the said campaign were tendentious, false or exaggerated.

It has to be mentioned that considering the wording of Section X of Article 213 of the Mexican Law of Industrial Property, it would have been more than enough demonstrating that defendants' statements were either tendentious, or false, or exaggerated, in order to obtain the infringement declaration. However, in this case we were able to demonstrate that the defendants' statements were indeed tendentious, false and exaggerated.

Although defendants submitted some evidence supposedly demonstrating that on the Internet there are consumer forums wherein complainant's services were depicted as deficient, and also evidence consisting of studies from the OCDE supposedly showing that complainant's Internet services were slower than those rendered by other country members of the OCDE, said information was displayed in a very slanted fashion in defendants' advertising, thus not allowing consumers to get true and objective information on which to make an informed decision as to what telephone and Internet services to hire. All of the aforesaid turned infringers' campaign tendentious.

It is worthy to mention that companies carrying out this sort of aggressive advertisement most of the time commit mistakes in their statements, precisely because they get lost in their pursue of tarnishing their competitors. For instance, in one of the TV spots of infringers, they mentioned that complainant's Internet services were "infinitively slow", which clearly is a statement that they would never be able to prove.

In this manner, complainant was able to demonstrate that the statements made in defendants' TV spots were in no way true and verifiable, even if there was some true in them, which obviously turned them into false, exaggerated and erroneous, which led the Mexican Trademark Office to issue a ruling favorable to plaintiff's interests. Due to the ruling, the infringers must definitively suspend their advertising campaign, wherein they were using the distinctive or characteristic elements of complainant's advertising campaigns, and imposed each one of the infringers a fine of 10,000 days of minimum wage (approximately 40,000 USD).

The infringers largely contested the rulings issued by the Mexican Trademark Office, through all available means in Mexican law, being that all of the administrative and judiciary authorities involved, consistently determined that the infringers had carried out acts of unfair competition, of those contemplated by the Mexican Law of Industrial Property, despite the fact that they never made a direct reference to plaintiff's registered trademark or to its company name.

In our opinion, the amount of the fine imposed to infringers was a mistake from the Mexican Trademark Office, because such a low amount of money will not be a deterrent for big companies with huge budgets for advertising, who may simply consider this sort of fines as part of the budget to ponder when carrying out a big advertising campaign against a competitor.

Nevertheless, it also has to be highlighted that Mexican authorities are conducting a correct analysis when dealing with this sort of dishonest advertisement, and consequently companies have to think twice when attempting to tarnish a competitor's trademark, even when they do not mention it in its advertisement.